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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION**

ABDULADHIM A. ALGHAZWI,
Individually and On Behalf of All
Others Similarly Situated,

Plaintiff,

v.

THE BEAUTY HEALTH COMPANY,
ANDREW STANLEICK, and LIYUAN
WOO,

Defendants.

No. 2:23-cv-09733-SPG-MAA

CLASS ACTION

**CONSOLIDATED SECOND
AMENDED CLASS ACTION
COMPLAINT FOR VIOLATIONS
OF THE FEDERAL SECURITIES
LAWS**

ORAL ARGUMENT REQUESTED

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Lead Plaintiffs Priscilla Dijkgraaf and Martijn Dijkgraaf (collectively, “Lead Plaintiffs”), by and through their undersigned counsel, bring this action pursuant to Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the “Exchange Act”), and U.S. Securities and Exchange Commission (“SEC”) Rule 10b-5 promulgated thereunder, on behalf of itself and all other persons or entities who purchased or otherwise acquired securities of The Beauty Health Company (“BeautyHealth” or the “Company”) during the period from May 10, 2022 to November 13, 2023, inclusive (the “Class Period”) and were damaged thereby (the “Class”). Lead Plaintiffs allege the following based upon personal knowledge as to themselves and their own acts and upon information and belief as to all other matters. Lead Plaintiffs’ information and belief is based on the ongoing independent investigation of their undersigned counsel, including from the following sources: (i) BeautyHealth public filings with the SEC; (ii) research reports from securities and financial analysts; (iii) Company press releases and reports; (iv) Company website and marketing materials; (v) news and media reports concerning the Company and other facts related to this action; (vi) price and volume data for BeautyHealth securities; (vii) consultation with subject matter experts; (viii) accounts from former BeautyHealth employees and a BeautyHealth customer; and (ix) additional materials and data concerning the Company and industry as identified herein.

I. INTRODUCTION

1. This securities class action arises from Defendants’ misleading statements concerning BeautyHealth’s newest HydraFacial machine, the “Syndeo.” BeautyHealth touted Syndeo as a revolutionary device, transforming the aesthetics industry. Defendants claimed a successful U.S. launch with enthusiastic customers and a promising global future. Defendants, however, hid critical design flaws causing widespread malfunctions. Despite undisclosed efforts to fix them, Syndeo’s problems persisted. Defendants’ rushing Syndeo to market and subsequent failure to address performance issues in the field resulted in massive product returns, declines in revenue growth and gross margin, and damage to the Company’s brand. When the truth about

1 Syndeo's performance, the Company's expensive plan to replace virtually all Syndeos
2 in inventory and in circulation, and BeautyHealth's dismal future came out, the
3 Company's stock price plummeted.

4 2. BeautyHealth is a business-to-business provider of high-end facial
5 machines to spas and beauty parlors internationally. The Company operates a classic
6 "Razor and Blade" recurring revenue model; generating half of its revenues from the
7 sale of expensive, low margin facial machines, and the other half from the higher-margin
8 but lower priced consumables required for the machines to function and deliver their
9 service to end consumers.

10 3. The Company sells its facial machines under the "HydraFacial" brand, a
11 popular aesthetic treatment that uses a unique technology to cleanse, exfoliate, and
12 hydrate the skin. The HydraFacial treatment involves a multi-step process that vacuums
13 out impurities, removes dead skin cells, and infuses the skin with nourishing serums.
14 HydraFacial treatments address a variety of skin concerns, like fine lines, wrinkles,
15 acne, and uneven skin.

16 4. BeautyHealth must maintain a cutting-edge HydraFacial machine to ensure
17 continued success in the aesthetics market. Several factors contribute to this importance.
18 First, BeautyHealth faces fierce competition in the aesthetics industry as new devices
19 and treatments constantly emerge. A continuously improved HydraFacial ensures
20 BeautyHealth stays ahead of the curve and offers the most effective and desired
21 procedures to professionals. Second, innovation leads to increased customer
22 satisfaction. New features and improved functionality can enhance treatment results and
23 solidify HydraFacial's reputation as a premium product. Finally, advancements in
24 HydraFacial technology can expand the target market. Addressing a wider range of skin
25 concerns or offering more comfortable procedures can attract new customers and
26 solidify BeautyHealth's market share.

27 5. In March 2022, BeautyHealth launched the "Syndeo" as the next
28 generation of its popular HydraFacial machine. This digitally connected device boasted

1 several innovative features aimed at enhancing both the provider and client experience.
2 Meaning “connected” in Greek, Syndeo promised a more personalized treatment
3 through cloud-based software that tracked client history and preferences. This data
4 allows providers to tailor treatment plans and potentially offer more targeted product
5 recommendations. Additionally, Syndeo offers features designed to increase client
6 engagement, such as branding and gamification elements.

7 6. Unbeknownst to investors, Defendants prematurely launched the Syndeo –
8 well before the initially planned period of late Q2 2022 / early Q3 2022 – to make up
9 for the Company’s flagging sales of its higher-margin consumables. Knowing that
10 HydraFacial users were increasingly turning to lower-cost, generic serums, Defendants
11 deliberately designed Syndeo for exclusive use with BeautyHealth’s own, higher-
12 margin consumables. This rushed introduction to the market meant BeautyHealth
13 salespeople had to market and sell an unreliable device, as evidenced by screen glitches
14 that were apparent when BeautyHealth demonstrated the Syndeo to employees at an
15 early March 2022 sales meeting immediately prior to or concurrently with the device
16 being commercially available to customers.

17 7. The device fared no better once in the hands of customers. As early as
18 March 2022, and continuing throughout the Class Period, due to design defects, the
19 Syndeo devices suffered from a wide array of cosmetic- and performance-related issues,
20 including part non-conformance, distractive noises, difficult bottle insertion,
21 suction/waste/leakage, and faulty handpieces, screens, and rattling trays. Most vexing,
22 Syndeo suffered from low flow and clogs in the system, severely hindering its
23 functionality. These frequent treatment interruptions and performance issues were
24 widespread. According to reliable former BeautyHealth employees, Defendants’
25 admissions, and a survey conducted by an analyst after the Class Period, anywhere
26 between 50 to 90 percent of Syndeos produced before the end of July 2023 suffered
27 from these issues.
28

1 8. Defendants knew throughout the entirety of the Class Period of Syndeo’s
2 systemic problems. Beginning in March 2022, just after Syndeo’s purportedly “next
3 level” commercial launch, CFO Woo received repeated reports that Syndeo’s new
4 design and offshore manufacturer caused cosmetic issues in the systems, leading to
5 numerous customer complaints about part fitment and blemishes. In April/May 2022,
6 CFO Woo learned of a more serious plugging problem caused by Syndeo’s smaller
7 manifold leading to low flow and clogs in the system. Former BeautyHealth employees
8 also stated that customers in March/April 2022 started to complain about problems with
9 Syndeo’s screen, the device not turning on, its ability to pull the correct amount of
10 solution, and pieces falling off, among other issues. A Syndeo customer similarly stated
11 that she first raised functional issues with Syndeo before the end of April 2022.

12 9. Rather than shelve the product to address the design and manufacturing
13 issues causing these problems in early version Syndeo systems, Woo told subordinates
14 to continue production and sales, telling subordinates that if the customer raised a
15 complaint to send them a new replacement machine. Of course, the Executive
16 Defendants’ decision to replace the Syndeo machine with a new machine did not resolve
17 the cosmetic and performance issues. The Company would send out a new machine that
18 had the exact same problems as the replaced machine, leading only to increased
19 customer dissatisfaction.

20 10. By late April/early May 2022, the customer complaints regarding the
21 plugging issue had reached critical mass. According to internal Company
22 communications from a high-level BeautyHealth executive, in June 2022,
23 BeautyHealth’s executive committee held an offsite meeting where Syndeo issues were
24 *“top of mind for Andrew [Stanleick]”* and, per Stanleick, the Company’s *“#1 priority*
25 *is to focus on Syndeo and getting it back on track”* and that *“there is nothing that is*
26 *more important for the organization.”* From this point forward, Stanleick would *“be*
27 *the executive sponsor and will be hosting the weekly calls”* of the newly formed
28

1 “Syndeo Powerhouse” stakeholder meeting, where the goal would be to “*understand*
2 *issues, set dates and hold people accountable.*”

3 11. Around this same time, BeautyHealth also commenced a secret project
4 spearheaded by Woo’s operations team to identify the cause of the plugging issue and
5 generate an effective solution. From late April/early May 2022 up until July 2022,
6 BeautyHealth’s operations team conducted testing and ultimately surmised that they
7 could remediate the plugging issue by creating a giant port to the manifold instead of
8 the small channel per the original design. Defendant Woo received repeated reports of
9 the status of the project through minutes and action plans generated from regular “Tiger
10 Team” meetings. In addition, CEO Stanleick and Woo attended a meeting with other
11 high ranking BeautyHealth officials to review the Operations team’s proposed re-design
12 of Syndeo. Despite BeautyHealth’s R&D/Quality team expressing the belief that the
13 proposed larger channel was not a sure fix and that further testing was needed, in July
14 2022, the Executive Defendants and other BeautyHealth senior executives approved and
15 signed off on the Operation team’s recommended re-design, which BeautyHealth would
16 later refer to as “Syndeo 2.0.”

17 12. Syndeo 2.0, however, would not be immediately available to customers, as
18 the manufacturing of the re-designed Syndeos did not begin until September 2022 and
19 technicians were not sent out into the field to make the purported “fix” until October
20 2022. Nonetheless, the Company continued to conceal Syndeo’s systemic issues and
21 market and sell defective Syndeos with the knowledge that they suffered from serious
22 issues. By fall of 2022, the number of returned Syndeo systems began to pile up at
23 HydraFacial’s Long Beach warehouse, numbering over 2,000 and taking up substantial
24 space on the assembly floor. In violation of quality management standards, the
25 Company failed to tag the machines identifying whether they were tested or refurbished,
26 or the device’s identified malfunction. In fact, the Syndeo machines were so
27 disorganized that in or around September or October of 2022, The HydraFacial
28 Company rented an adjacent space and moved the returned Syndeo machines out of its

1 warehouse so that they would not be spotted during a quality management audit
2 conducted by BSI, a private company working on behalf of regulatory bodies. The
3 Executive Defendants were also personally informed of the Syndeo problems at the
4 September/October annual management review.

5 13. Not surprisingly, BeautyHealth's release of Syndeo 2.0 out to the field—in
6 essence, yet another undisclosed beta testing on paying customers – turned out to be
7 equally disastrous. By late October/November 2022, BeautyHealth learned that Syndeo
8 2.0 failed to cure the plugging issue. What's more, Syndeo's 2.0 design of creating a
9 larger channel manifold resulted in a new problem: wasting too much serum. Further,
10 in or around the same time, BeautyHealth learned that a certain portion of newly sold
11 Syndeo 2.0 systems were inoperable due to one of BeautyHealth's major suppliers
12 including an authorized computer chip, requiring the Company to incur the substantial
13 cost of dispatching engineers to the field to fix each of the Syndeos. Once again, the
14 Executive Defendants received reports of these systemic Syndeo 2.0's failures through
15 regular Tiger Team minutes and action plans.

16 14. Despite having no effective remediation plan, the Company continued to
17 sell defective Syndeo 2.0 devices to customers. When customers raised complaints,
18 BeautyHealth continued to string customers along by engaging in a cycle of having the
19 customers return machines and then sending new but similarly defective Syndeo
20 machines out.

21 15. Further, Defendants knew that Syndeo's persistent technical flaws resulted
22 in upset customers, missed sales and brand damage. Defendant Stanleick repeatedly
23 acknowledged the Syndeo issues and resulting sale execution challenges at quarterly
24 town hall meetings, on all-hands company-wide calls and at mid-year sales meetings.
25 Moreover, all of these client-based issues were documented on BeautyHealth's
26 Salesforce database and "Master Control," the Company's quality management system;
27 both of which the Executive Defendants had access.

1 16. Customer discontent reached such a point that Stanleick himself felt
2 compelled to personally reach out to a BeautyHealth customer in February 2023. This
3 customer started a Facebook group so Syndeo device owners had a forum to
4 troubleshoot their issues. The group only lasted for a few months as Facebook had it
5 removed due to the use of the trademarked “HydraFacial” name. The customer,
6 however, thinks the group was specifically targeted by Stanleick and the Company
7 because there were numerous other Facebook groups utilizing the word “HydraFacial”
8 in their title.

9 17. Nevertheless, throughout the Class Period, BeautyHealth and its executives
10 continued to conceal the Syndeo issues, while repeatedly touting the “the highly
11 successful,” “flawless global launch” and “strong rollout” of Syndeo. The Company
12 continuously emphasized that there was “strong enthusiasm for product” and “strong
13 early feedback we are receiving from the field.” Instead of disclosing the cosmetic- and
14 performance-related issues, Defendants highlighted Syndeo’s “really handy functional
15 benefits,” Syndeo’s “enhanced ease-of-use and intuitive operation” and Syndeo’s “ease
16 of operation, design, and use for our aestheticians.” In response to analyst inquiry, rather
17 than revealing the customer complaints, Defendants stressed that “customers are raving
18 about the connected system and user experience” and that the Company was receiving
19 “really good feedback on” Syndeo’s “data connectivity, the improvements in user
20 interface, the touch screen technology, the LightStim LED, et cetera.” Later in the Class
21 Period, Defendants assuaged investor concern by characterizing Syndeo 2.0 as mere
22 software enhancements. Moreover, Defendants soft peddled customers’ return of
23 Syndeos as a common occurrence with any new product releases, mischaracterizing the
24 cost and return policy as a “one time program.”

25 18. As with all frauds, at some point, it must come to an end. Cracks in
26 Defendants’ façade first appeared on August 9, 2023, when the Company announced
27 burgeoning net losses in the second quarter 2023 and retracted its adjusted gross margin
28

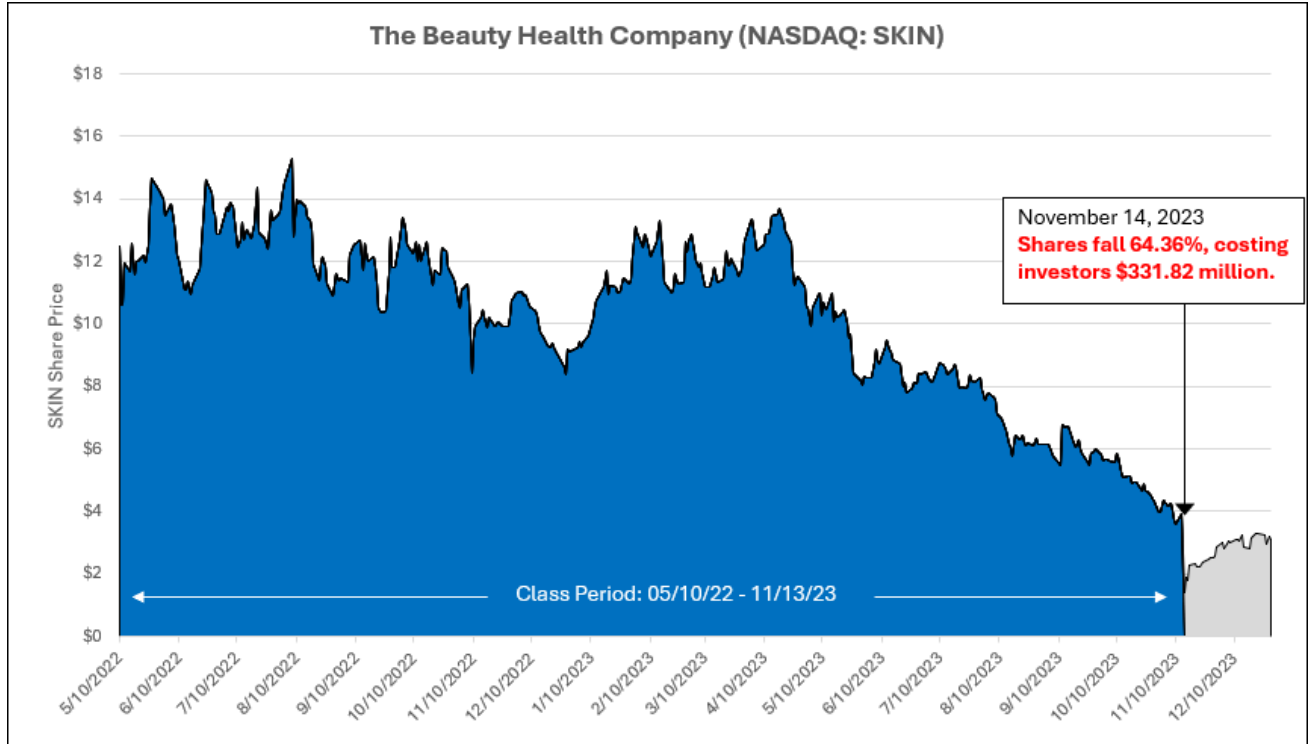
1 guidance. The Company also abruptly announced the “involuntary separation without
2 cause” of Woo, its long-time CFO.

3 19. Rather than fully disclosing the extent of Syndeo’s failures, CEO Stanleick
4 engaged in blatant soft-peddling during the analyst call that day, vaguely mentioning
5 “teething issues” and the resulting system exchanges – a calculated effort to shield
6 investors from the truth of the product’s flawed launch. But Stanleick staved off a
7 massive sell-off by falsely assuring investors that the Company had greatly reduced
8 system exchanges and declared the Company was equipped to address Syndeo issues
9 with over-the-air software updates or in-field support.

10 20. But just months later, on November 13, 2023, the truth was revealed when
11 BeautyHealth turned in disastrous 3Q 2023 results, lowered guidance for the year, and
12 suspended 2025 targets. In addition, BeautyHealth revealed that CEO Andrew
13 Stanleick would be leaving the Company on November 19, 2023, which departure the
14 Company subsequently characterized as a “termination without cause.”

15 21. On the earning call, the Company’s new CEO and CFO blamed the poor
16 quarter and dismal outlook entirely on having to address product issues experienced
17 after last year’s U.S. Syndeo launch, which would take additional time to remediate.
18 BeautyHealth explained that Syndeo 2.0 meant to fix the performance issues with the
19 first-generation product. But Syndeo 2.0 itself was found to have flow issues, which
20 necessitated yet another update, Syndeo 3.0. The Company disclosed that its
21 remediation plan would come at a substantial cost. BeautyHealth stated that U.S.
22 Syndeo customers would now have the option of a field upgrade or swapping in a new
23 Syndeo 3.0 delivery system, for which the company will take a special charge of \$44.4
24 million plus an inventory write-off of \$18.8 million. The Company confirmed the
25 widespread nature of Syndeo’s problems. New management stated that it had begun the
26 process in the fourth quarter, enhancing or replacing 2,850 instruments, with plans to
27 upgrade or replace another 4,500 instruments.

22. On this news, BeautyHealth's share price plummeted \$2.51, or 64.36%, to close at \$1.39 per share on November 14, 2023, on unusually heavy trading volume, erasing **\$331.82 million** in market capitalization in a single trading day.



23. In the aftermath, Piper Sandler, a respected securities analyst following the Company, conducted a comprehensive survey of 50 HydraFacialists providers across 25 states and Washington D.C. to understand the extent of the Syndeo issues. Piper Sandler confirmed the systemic nature of the Syndeo issues, finding that an amazing 74% of the respondents who purchased Syndeo 1.0 and 2.0 versions experienced problems. Piper Sandler further confirmed the sales challenges posed by the Syndeo problems, as 20% of the existing lower-end Elite users said they did not plan to upgrade to Syndeo, with half noting their disinterest in the upsell was due to the Syndeo issues. By spring 2024, the Company had also disclosed that it was under investigation by the SEC, but provided no information regarding its subject matter or scope.

24. Moreover, despite representing on November 13, 2023 that the Company had come up with a fix with the new Syndeo 3.0, the Company subsequently admitted in May 2024 that its field and customer service teams are still finding certain technical

1 issues even with this latest edition. In turn, the Company has continued to post
2 disappointing financials and its share price continues to trade below \$2.00 per share.

3 25. By this action, Lead Plaintiffs seek redress for losses they and other
4 BeautyHealth investors suffered after purchasing securities during the Class Period at
5 artificially inflated prices.

6 **II. JURISDICTION AND VENUE**

7 26. This action arises under Sections 10(b) and 20(a) of the Exchange Act (15
8 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 (17 C.F.R. § 240.10b-5) promulgated under
9 the Exchange Act.

10 27. This Court has jurisdiction over the subject matter of this action pursuant
11 to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

12 28. Venue is proper in this Judicial District pursuant to Section 27 of the
13 Exchange Act (15 U.S.C. § 78aa) and 28 U.S.C. § 1391(b) and (c). At all relevant times,
14 BeautyHealth conducted business in this District and maintained its headquarters in this
15 District at 2165 Spring Street, Long Beach, California 90806. In addition, many of the
16 acts charged herein, including the preparation and dissemination of materially false and
17 misleading information, occurred in substantial part in this District.

18 29. In connection with the acts alleged herein, Defendants, directly or
19 indirectly, used the means and instrumentalities of interstate commerce, including, but
20 not limited to, the United States mail, interstate telephone communications, and the
21 facilities of national securities exchanges.

22 **III. PARTIES**

23 **A. Lead Plaintiffs**

24 30. Lead Plaintiffs, as set forth in their previously filed PSLRA certification
25 (ECF No. 14-3), incorporated by reference herein, purchased BeautyHealth securities
26 during the Class Period, and suffered damages as a result of the federal securities law
27 violations and false and/or misleading statements and/or material omissions alleged
28 herein.

B. Corporate Defendant

31. Defendant BeautyHealth is incorporated under the laws of Delaware. The Company designs, develops, manufactures, markets, and sells aesthetic technologies and products worldwide. The Company's flagship product includes HydraFacial that purportedly enhances the skin to cleanse, extract, and hydrate the skin with proprietary solutions and serums. Its products also comprise Syndeo, a HydraFacial Delivery System designed to elevate every part of the treatment and connects providers to the consumer's preferences to create a more personalized experience; HydraFacial Nation App, an app that allows consumers to learn about their skin health, discover treatment options, and track their treatments over time; and Keravive, a treatment for scalp health. The Company was founded in 1997 and is headquartered in Long Beach, California. BeautyHealth's Class A common stock trades on the NASDAQ exchange, which is an efficient market, under the symbol "SKIN." As of November 17, 2023, BeautyHealth had approximately 131.27 million shares of stock outstanding, owned by at least thousands or tens of thousands of investors. Throughout the Class Period, BeautyHealth disseminated SEC filings, press releases, investor presentations, marketing materials, product descriptions, and other reports containing material misrepresentations and omissions about the functionality of its Syndeo devices.

C. Executive Defendants

32. Defendant Stanleick served as BeautyHealth's Chief Executive Officer, President and Director from February 7, 2022 to November 19, 2023. Stanleick was terminated without cause on November 19, 2023. Prior to joining the Company, Mr. Stanleick held senior roles at Coty Inc. and Coach Inc., and was Chief Executive Officer of Kylie Jenner Beauty. During the Class Period, Stanleick made materially false statements and omissions about the functionality and commercial launch of Syndeo in the Company's public filings, at investor presentations, and during conference calls. Stanleick also was present when Defendant Woo and other BeautyHealth executives made statements or omissions on these subjects without correcting them. Stanleick

1 executed certifications relating to BeautyHealth’s false and misleading reports filed with
2 the SEC. Stanleick directly participated in the management and day-to-day operations
3 of the Company and had actual knowledge of confidential proprietary information
4 concerning the Company and its business, operations, and products. Stanleick also
5 shared primary responsibility for ensuring that the Company’s SEC filings and other
6 public statements or releases were complete, accurate, and did not omit material
7 information necessary under the circumstances to make them not misleading.

8 33. Defendant Liyuan Woo (“Woo”) was the Company’s Executive Vice
9 President, and Chief Financial Officer from September 2020 until August 10, 2023.
10 Prior to joining the Company, Ms. Woo was the Chief Operating Officer and Chief
11 Financial Officer of The VOID, a virtual reality brand introducing consumers to fully
12 immersive, location-based, hyper-reality experiences from August 2019 to September
13 2020. While at BeautyHealth, Woo claims she “set commercial strategy” and “built out
14 infrastructure for 15 direct countries including manufacturing in China.”¹ Consistent
15 with this description, a former employee stated that although Woo was BeautyHealth’s
16 Chief Financial Officer, after BeautyHealth’s CEO Clint Carnell departed in 2021,
17 Defendant Woo was put in charge of all operations. *See infra* at ¶88. During the Class
18 Period, Woo made materially false statements and omissions about the functionality and
19 rollout of Syndeo in the Company’s public filings, in investor presentations, and during
20 conference calls. Woo also was present when Stanleick and other BeautyHealth
21 executives made statements or omissions on these subjects that she knew to be false and
22 misleading yet took no steps to correct those statements. Woo executed certifications
23 relating to BeautyHealth’s false and misleading reports filed with the SEC, including
24 BeautyHealth’s Results of Operations and Financial Condition; Financial Statements
25 and Exhibits filed on Form 8-K, quarterly reports filed on Form 10-Q and the Annual
26 Report for 2022 filed on Form 10-K. Woo directly participated in the management and
27

28 ¹ See <https://www.linkedin.com/in/liyuanwoo/>, as of May 5, 2025.

1 day-to-day operations of the Company and had actual knowledge of confidential
2 proprietary information concerning the Company and its business, operations, and
3 products. Woo also shared primary responsibility for ensuring that the Company's SEC
4 filings and other public statements or releases were complete, accurate, and did not omit
5 material information necessary under the circumstances to make them not misleading.
6 Woo possessed the power and authority to control, and approved of, the contents of the
7 Company's press releases and investor and media presentations at all relevant times.

8 34. Defendants Stanleick and Woo (together, the "Executive Defendants" or
9 "Individual Defendants"), because of their positions with the Company, possessed the
10 power and authority to control the contents of the Company's reports to the SEC, press
11 releases and presentations to securities analysts, money and portfolio managers and
12 institutional investors, i.e., the market. The Executive Defendants were provided with
13 copies of the Company's reports and press releases alleged herein to be misleading prior
14 to, or shortly after, their issuance and had the ability and opportunity to prevent their
15 issuance or cause them to be corrected. Because of their positions and access to material
16 non-public information available to them, the Executive Defendants knew that the
17 adverse facts specified herein had not been disclosed to, and were being concealed from,
18 the public, and that the positive representations which were being made were then
19 materially false and/or misleading. The Executive Defendants are liable for the false
20 statements pleaded herein as controlling persons within the meaning of Section 20(a) of
21 the Exchange Act.

22 **D. Former BeautyHealth Employees**

23 35. The following is a summary of the titles and background of the six former
24 employees ("FE-") relied upon in this amended complaint (FE-1 through FE-6), for ease
25 of reference.

26 **1. FE-1**

27 36. FE-1 was an employee at The HydraFacial Company from early 2020 to
28 May 2023. FE-1 served as The HydraFacial Company's director of quality from April

1 2022 to May 2023. Prior to holding that position, FE-1 served in a managerial position.
2 FE-1 was based in Long Beach, CA, at the Company's manufacturing plant, where
3 Syndeo was designed and manufactured. FE-1 initially reported to the VP of Quality
4 and Regulatory Affairs, who in turn reported to the COO, then later to the Chief
5 Marketing, Digital & Customer Experience Officer. Starting in early 2023 and up
6 through May 2023, FE-1 reported to BeautyHealth's Executive Vice President, Global
7 Operations.

8 37. As director of quality, FE-1 led a team responsible for quality control and
9 quality engineering. The 14-person Quality team handled quality control for Syndeo
10 machines. The Quality team consisted of a QC supervisor and lead and six QC
11 inspectors, the number of whom fluctuated. On the engineering side, the QC team had
12 two engineers: a senior quality engineer and a supplier quality engineer. The Quality
13 team was responsible for generating, among other things, CAPA reports detailing
14 "Corrective and Preventive Actions" for problems they identified with the Syndeo
15 systems. The Quality team also generated and provided BeautyHealth's C-Suite and
16 other senior executive management with an update called the management review
17 report, covering complaints and nonconformances with BeautyHealth products,
18 including the Syndeo system. FE-1 prepared the management review reports around
19 September or October of each year. The reports were transmitted to Stanleick and Woo
20 through yearly management review meetings, led by FE-1 occurring shortly after
21 completion of the management review reports in September or October of each year.
22 The attendees of the yearly management review meetings, including Stanleick and Woo,
23 signed off on their attendance at the meeting and receipt of the management review
24 reports.

25 **2. FE-2**

26 38. After being employed previously at The HydraFacial Company prior to the
27 Class Period, FE-2 rejoined and worked as a capital sales manager for The HydraFacial
28

1 Company from April 2023 through several months after the Class Period, reporting to
2 the Regional Sales Director.

3 39. As a capital sales manager for HydraFacial, FE-2 sold Syndeo and its
4 predecessor HydraFacial systems to customers in the field. FE-2 explained that business
5 development managers work under the capital sales managers. Capital sales managers
6 work to sell the device, and then once the provider purchases the device, the capital sales
7 manager hands the provider over to the business development manager. But even after
8 the handoff, FE-2 and her peer capital sales managers kept their fingers on the pulse of
9 the customer and the business to help support the BDMs doing events and maintaining
10 the customers' business, which kept FE-2 informed of any issues the customer had with
11 the machines. Also, when an account wanted to buy a second system or upgrade its
12 current system to a newer model, FE-2 would support that endeavor.

13 **3. FE-3**

14 40. FE-3 worked as a Director of Sales for BeautyHealth/HydraFacial, from
15 June 2023 to November 2023. FE-3 reported to the VP of Sales, who reported to the
16 EVP of Sales. The EVP of Sales reported to CEO Andrew Stanleick and to the Chief
17 Revenue Officer.

18 **4. FE-4**

19 41. FE-4 worked as a Capital Sales Manager for HydraFacial from late 2020
20 until summer 2022. During the Class Period, FE-4's reporting structure included the VP
21 of Sales, who reported to the Executive VP of Sales, who reported to Stanleick.

22 **5. FE-5**

23 42. FE-5 was a Business Development Manager for HydraFacial spanning
24 several years, including 2022 and 2023.

25 **6. FE-6**

26 43. FE-6 was a Senior Quality Assurance Manager at HydraFacial from June
27 2023 to April 2024. FE-6 oversaw the management of HydraFacial's quality
28 management system (QMS). FE-6 also managed non-conforming materials and

1 products, addressed complaints, and worked with the manufacturing, engineering,
2 procurement, and production teams to ensure that products were manufactured
3 according to established quality and safety standards. FE-6 directed and coordinated
4 internal audits conducted by external auditors. FE-6 also supported ongoing
5 maintenance of the Company's quality assurance programs, policies, procedures, and
6 controls for ensuring medical device products meet ISO 13485 and FDA 21 CFR 820
7 standards and guidelines.

8 44. During FE-6's time at the Company, FE-6 reported to the VP of Supply
9 Chain, Production, and Engineering; the EVP of Global Operations & IT; and the Senior
10 Director of Quality Assurance & Regulatory Affairs.

11 **E. BeautyHealth Customer**

12 45. Customer Witness 1 ("CW-1") is a BeautyHealth customer from
13 Minnesota who runs her own medical spa. CW-1 purchased a Syndeo in April 2022,
14 and has since received multiple replacement devices. As discussed herein (*see infra*,
15 ¶¶190-201, CW-1 started a Facebook group, "HydraFacial Syndeo Users," in early
16 2023. CW-1 utilized the group as a trouble-shooting system to learn techniques from
17 others on workarounds for getting the Syndeo to function properly. CW-1 spoke with
18 Stanleick by telephone about the Syndeo issues on two separate occasions in February
19 and March 2023, and also exchanged text messages. Facebook ultimately took down
20 CW-1's group and explained removal was due to the use of the trademarked name
21 "HydraFacial." CW-1 believes that Stanleick and the Company were responsible for the
22 group's removal, as other Facebook groups used the "HydraFacial" name without issue.

23 **IV. SUMMARY OF THE FRAUD**

24 **A. BeautyHealth and its category-creating HydraFacial.**

25 46. Headquartered in Long Beach, California, the Beauty Health Company
26 operates in the emerging beauty health category and describes itself as a global company
27 focused on delivering beauty health experiences that help consumers "reinvent their
28 relationship with their skin, bodies and self-confidence." The Company designs,

1 develops, manufactures, markets, and sells aesthetic technologies and products
2 worldwide.

3 47. Founded in 1997, the Company was originally known as The HydraFacial
4 Company, named after the Company's leading brand, the HydraFacial system - a
5 category-creating, non-invasive facial treatment that uses a unique delivery system with
6 patented technology. In particular, HydraFacial, created the category of
7 hydradermabrasion by using a patented Vortex-Fusion Delivery System to cleanse, peel,
8 exfoliate, extract, infuse and hydrate the skin with proprietary solutions and serums.

9 48. For 30 minutes and a retail price of approximately \$200 per treatment, the
10 HydraFacial system provides a three-step experience to cleanse, extract and hydrate
11 skin, which the Company says offers an immediate outcome and an instantly gratifying
12 glow. Estheticians can then finish the treatment with boosters that best fit the needs of
13 the patient.

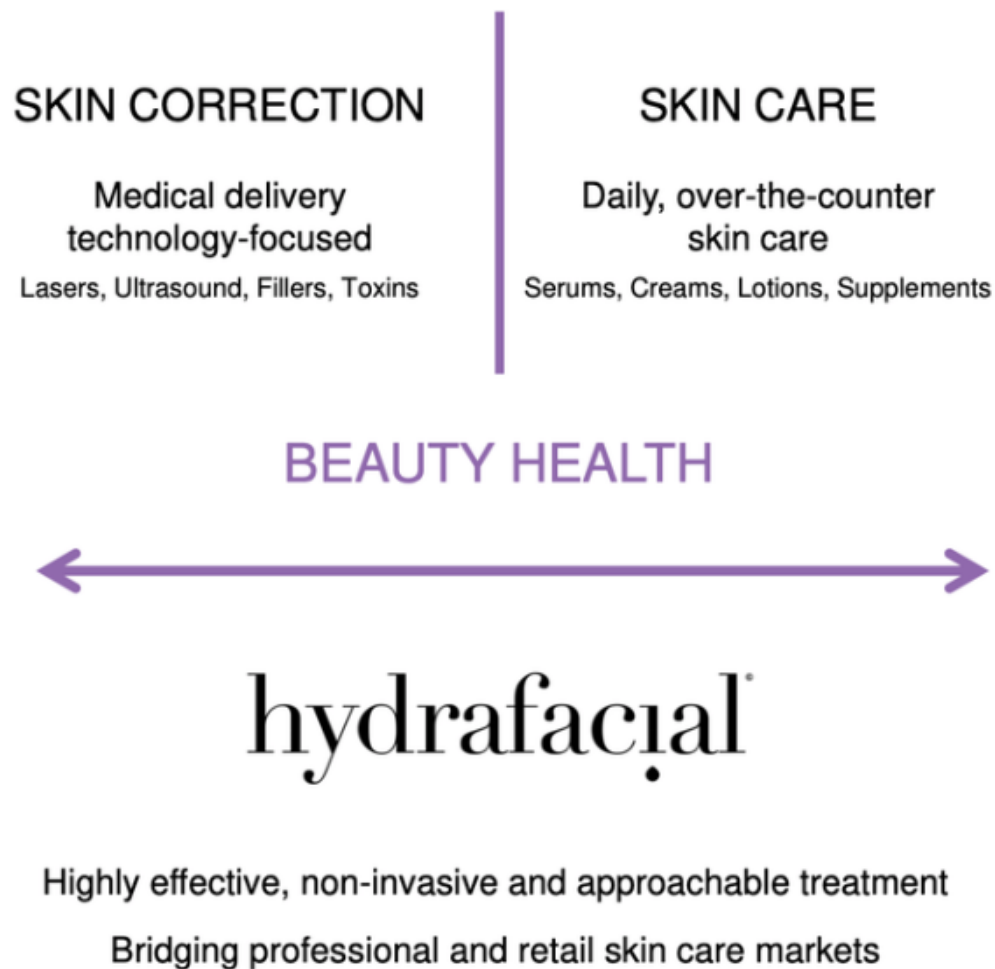


Source: [HydraFacial Investor Presentation](#)

23 49. The Company markets its HydraFacial system as a category-creating
24 product. In the beauty health industry, "skin correction" resides at one end of the
25 spectrum and "skin care" at the other. The skin correction end encompasses medical
26 technology such as fillers, toxins, lasers and ultrasound treatments, and is usually more
27 invasive and very expensive. On the other hand, the skin care end is comprised of daily,
28

1 over-the-counter products such as serums, creams, lotions and supplements, which are
2 less invasive and more affordable.

3 50. As a category-creating product, the Company markets HydraFacial as
4 bridging the gap between both ends of the spectrum by offering to provide a more
5 effective solution than the skin care end without the price tag of the skin correction end.



Source: [HydraFacial Investor Presentation](#)

24 51. The Company generates revenues by selling its facial delivery systems to
25 medical beauty service providers (such as medical spas, hotels, gyms, and beauty
26 retailers like Sephora), as well as consumables. This is a highly recurring revenue
27 business, which the Company frequently compares to a “razor/razor blade” model. The
28 delivery systems (the razor), which have an average life of 7 years, require high-margin

consumables (the razor blade) as part of the treatment process, like patented, patterned caps that are placed on the handpiece of the delivery systems in order to create suction and deliver solutions and serums to the skin, as well as formulations of special ingredients aimed at improving the HydraFacial experience. Thus, the model involves the sale of a high-priced, low-margin product system at the beginning, that is then followed up by a steady stream of higher-margin income in consumables so long as the facial delivery system originally sold continues to be used. Consequently, the Company's annual revenues have been historically split almost 50%-50% between its facial delivery systems and consumables.

52. The beauty health industry is big business. The Company has repeatedly represented that the total addressable global market exceeds \$50 billion. For its part, over the three years ended December 31, 2023, BeautyHealth has averaged nearly \$350 million in total sales.

(in thousands)	Year Ended December 31,		
	2023	2022	2021
Net Sales			
Delivery Systems	\$ 206,630	\$ 206,235	\$ 139,464
Consumables	191,361	159,641	120,622
Total net sales	\$ 397,991	\$ 365,876	\$ 260,086

53. On December 9, 2020, Vesper Healthcare Acquisition, a publicly traded special purpose acquisition company (SPAC) co-founded by Brent Saunders, a former Allergan CEO and owner of Botox and CoolSculpting, announced that it had agreed to acquire HydraFacial for a valuation of \$1.05 billion and take the Company public.

54. On May 5, 2021, HydraFacial and Vesper Healthcare announced the closing of the business combination, with the combined company known as "The Beauty Health Company" or "BeautyHealth," which shares would be traded on the Nasdaq Capital Market under the ticker symbol "SKIN." As a result of the business combination, HydraFacial became a wholly owned subsidiary of BeautyHealth.

B. Syndeo – the next generation HydraFacial delivery system.

55. With the \$450 cash infusion and substantial private investment in public equity (PIPE) backing made possible by the SPAC-IPO transaction, BeautyHealth had a war chest available to finance and execute on its well-publicized “Five-Point Master Plan,” consisting of (1) placing new systems, (2) investing in providers, (3) driving brand awareness, (4) building global infrastructure, and (5) mergers & acquisitions.²

56. Addressing its first priority of placing new systems, on May 13, 2021, at the newly public BeautyHealth’s first quarterly earnings call with investors, the Company announced a new product offering that would be brought to market in the first half of 2022, - the next generation HydraFacial Delivery System called “Syndeo.”³



57. Meaning “connected” in Greek, the Company billed the Syndeo platform as offering a significant technology upgrade from the existing HydraFacial delivery system, as Syndeo would bring data collection capabilities for a personalized and connected experience. Specifically, Syndeo had a completely new interface and configuration, with little to no component overlap with the previous system. In addition,

² See, e.g., “First Quarter 2022 Earnings Presentation” (May 10, 2022) at Slide 6.

³ See, The Beauty Heath Company Q1 2021 Earnings Call Transcript (May 13, 2021).

1 the Syndeo platform would come equipped with cloud-based software supplying
2 BeautyHealth and its providers with data enabling the Company to better analyze
3 consumer behavior and aid providers in understanding their clients' needs. The data
4 collected by Syndeo would purportedly allow providers to track consumer history and
5 preferences, allowing them to offer targeted products and experiences personalized to a
6 consumer's needs. Further, the Syndeo system would link with BeautyHealth existing
7 HydraFacial Nation customer app, which provides consumers with information about
8 their skin health, the option to discover which treatment options are best for them, and
9 the ability to track treatments over time. Syndeo's connectivity with the app would
10 therefore allow the Company to have direct access to and engage with the consumer
11 through gamification, including reward points like the Starbucks app.

12 58. In subsequent SEC filings and press releases the Company described the
13 Syndeo system as being "designed to elevate every part of the treatment and connects
14 providers to the consumer's preferences to create a more personalized experience. The
15 hardware and software in the Syndeo Delivery System has been fully updated and
16 includes Wi-Fi-enabled radio frequency identification ("RFID"). This technology will
17 allow providers and us to collect data on their clients to ultimately provide a better
18 experience for them."⁴ In light of the advanced connectivity and data retrieval features,
19 the Company explained that in addition to expanding its footprint, it anticipated a
20 significant portion of its existing accounts would upgrade their existing Delivery System
21 to Syndeo via a trade in program.⁵

22 59. The Syndeo Delivery System would be considerably more expensive than
23 the current HydraFacial system, Elite. The average retail price of Syndeo would be
24
25

26 ⁴ The Beauty Health Company 2021 Annual Report at 9, filed on Form 10K with the
27 SEC on March 1, 2021.

28 ⁵ The Beauty Health Company Q4 2021 Earnings Call (Feb. 22, 2022).

1 \$43,000 vs. mid-\$30,000 range for the prior Elite system, making the Syndeo system a
2 considerable investment for BeautyHealth's client base.⁶

3 60. On January 20, 2022, with the upcoming rollout of Syndeo just months
4 away, BeautyHealth announced the appointment of Defendant Stanleick to serve as its
5 President, CEO and board member effective February 7, 2022. Defendant Stanleick
6 previously worked as the Executive VP, Americas, at Coty (COTY) overseeing the
7 portfolio of Luxury and Consumer brands, and as a senior executive with Coach and
8 Kylie Jenner Beauty. Analysts viewed the new CEO hire as positive, as the Company
9 would need to leverage Stanleick's expertise in digital influence marketing and global
10 growth to successfully roll out Syndeo.⁷

11 **C. Defendants rush the launch of Syndeo in light of declining consumable**
12 **sales, despite functional issues with the device.**

13 61. FE-4 attended a mid-year meeting in Denver, Colorado in 2021 where
14 BeautyHealth management stated the Syndeo would launch at the end of Q2 2022 or
15 early Q3 2022. FE-4 also said the end of Q2 2022/early Q3 2022 Syndeo launch was
16 discussed during a meeting in December 2021.

17 62. But developments in BeautyHealth's business would give reason to
18 accelerate the Syndeo launch date. By the end of 2021, BeautyHealth recognized that
19 its consumable sales were contributing less to BeautyHealth's overall revenue.
20 Specifically, at the end of FY 2021, consumables accounted for 46.4% of
21 BeautyHealth's overall net sales, compared to 55.2% in FY 2020. In contrast, in FY
22 2021, delivery systems made up 53.6% of the Company's net sales, compared to 44.8%
23 in 2020. More telling was the fact that BeautyHealth's consumable sales in FY 2021
24 lagged behind what would be expected given device sales. While device sales increased

25
26 ⁶ "SKIN HQ Visit and Management Meeting Further Support our Bullish View,"
Piper Sandler (Mar. 21, 2022).

27 ⁷ "Q4 a Stand Out Quarter; 2022 Looking to be a Stand Out Year; We Remain
28 Buyers," Piper Sandler (Feb. 22, 2022).

1 by 161.3% year-over-year in FY 2021, consumable sales increased roughly half that
2 amount, 83.5%.

3 63. These trends were continuing at the beginning of FY 2022. In fact, the net
4 sales from consumables (\$33.8 million) in Q1 2022 were down approximately \$1.4
5 million compared to Q4 2021 (\$35.2 million). As FY 2022 went on, consumable sales
6 continued to underperform what would be expected given device sales. Net sales of
7 machines increased 86 percent year-over-year in Q2 2022 and 36 percent in Q3 2022,
8 but net sales of consumables only increased 23 percent and 24 percent, respectively.

9 64. A declining share for its consumable business did not match
10 BeautyHealth's business plan. As BeautyHealth explained in its Form 10-K for the year
11 ended December 31, 2021, expanding the number of low-margin delivery systems
12 providing HydraFacial treatments (*i.e.*, the install base) increases the foundation for
13 future recurring revenue by providing a platform for more HydraFacial treatments,
14 driving greater sales for high-margin consumables. Accordingly, BeautyHealth stated it
15 expected consumable revenue would become a larger share of HydraFacial's business
16 as it continued to grow its install base.

17 65. But in reality, consumables were becoming a smaller, not larger, share of
18 the business. Even though HydraFacial had increased sales of its delivery systems, its
19 consumable sales were lagging behind. To maintain and grow its net sales, Defendants
20 recognized that launching the Syndeo could bolster its device sales and offset the
21 decreasing share of consumable revenue.

22 66. One cause of declining consumables sales was HydraFacial customers
23 increasingly relying on lower-priced, generic serums as opposed to HydraFacial
24 branded serums and other consumables. Launching the Syndeo and transitioning
25 customers to the new system could, therefore, protect HydraFacial's consumables
26 business from further erosion.

27 67. Specifically, FE-4 said Syndeo could only use HydraFacial-branded
28 consumables. According to FE-4, the Syndeo only accepted bottles of consumables that

1 were shaped differently compared to previously-used bottles. Per FE-4, this meant the
2 Syndeo could not use older, differently shaped bottles of consumables. But FE-4 said
3 the new bottles could be used on older HydraFacial devices. In addition, per FE-4, RFID
4 technology in the Syndeo was designed to ensure the use of only HydraFacial
5 consumables.

6 68. Rushing the Syndeo launch, however, meant selling customers a device
7 that was not ready for market. For example, FE-1 said that prior to the Syndeo 1.0 going
8 to the market in or about March 2022, it went through limited testing only on employees,
9 friends, family and select customers in 2021 and early 2022.

10 69. In turn, FE-4 observed issues with Syndeo immediately prior to or
11 concurrently with Syndeo becoming commercially available to customers on or about
12 March 7, 2022. FE-4 attended a sales meeting in early March 2022 in Orlando, Florida.
13 Per FE-4, BeautyHealth management, including Stanleick, attended the Orlando sales
14 meeting. According to FE-4, screen glitching (e.g., jumping forward or timing out) was
15 apparent during the demonstration of the Syndeo. FE-4 said the screen glitches were
16 acknowledged during the presentation and FE-4 and other attendees were told “we’re
17 working on these things.” FE-4’s impression after the meeting was that FE-4 would
18 need to “do a really good job pitching” the Syndeos and it was essentially a “fake it till
19 we make it” scenario.

20 70. FE-4’s first opportunity to sell the Syndeos came at the American Academy
21 of Dermatology conference held in Boston, Massachusetts at the end of March 2022.
22 Prior to attending the conference, FE-4 recalled she must “have had a system” and had
23 probably become aware of a problem where the device was pulling too much solution.
24 FE-4 said the pulling issue seemed to be more device-related because even with proper
25 technique, the Syndeo would pull too much solution.

26 **D. BeautyHealth’s roll out of Syndeo in March 2022.**

27 71. Despite apparent issues with Syndeo, on March 7, 2022, BeautyHealth
28 issued a press release filed with the SEC on Form 8-K announcing the official launch of

1 Syndeo in the U.S., with international market rollouts coming soon. In the press release,
2 the Company called Syndeo “a revolutionary new digitally connected device co-created
3 with our HydraFacialist community to meaningfully enhance the consumer and provider
4 experience.” In the press release, Defendant Stanleick emphasized Syndeo’s strategic
5 importance to the Company, stating “Syndeo positions us to lead in the beauty health
6 market, by applying technology and data to maximize our customer experience.”⁸

7 72. News of the introduction of Syndeo to the U.S. market was met positively
8 by analysts. Piper Sandler exclaimed, “With CEO Mr. Stanleick now on board, this
9 launch of Syndeo is great timing, as Mr. Stanleick’s branding and international expertise
10 should make for a smooth and successful roll-out. Overall, we continue to be big fans
11 of SKIN and think Syndeo is the next piece of the puzzle to building a BeautyHealth
12 integrated ecosystem.”⁹ Similarly, Canaccord remarked, “We view The Beauty Health
13 Company as a terrific example of a ‘category creator’ within MedTech that is leveraging
14 its existing technology platform, brand, and market insight to address an overlooked
15 market segment.”¹⁰

16 **E. May 10, 2022: Class Period begins with BeautyHealth’s purported “highly**
17 **successful launch” of Syndeo in Q1 2022.**

18 73. The Class Period begins on May 10, 2022, when the Company issued a
19 press release reporting its first quarter 2022 results - the first quarter reflecting the
20 launch of Syndeo. For the three months ended March 31, 2022, BeautyHealth reported
21 total net sales of \$75.4 million, an increase of 58.6% compared to \$47.5 million in Q1
22 2021. The Company reportedly sold 1,849 Delivery Systems during the quarter (a new
23

24 ⁸ “The Beauty Health Company Introduces New Digitally Connected HydraFacial
25 Syndeo™ Delivery System” (Mar. 7, 2022).

26 ⁹ “Next Piece of the Puzzle Complete for the BeautyHealth Ecosystem; Reiterate
27 OW,” Piper Sandler (Mar. 7, 2022).

28 ¹⁰ “Synergies abound with the launch of next-gen product Syndeo,” Canaccord
Genuity LLC (US) (Mar. 7, 2022).

record), including 258 trade-ups. In the press release, Defendant Stanleick attributed the record delivery system sales and significant revenue growth to “*the highly successful launch of Syndeo.*”

74. BeautyHealth also increased its full-year fiscal 2022 guidance, projecting net sales in the range of \$333 to 340 million, up from the prior guidance of \$320 to 330 million and reaffirmed that the outlook for adjusted EBITDA remained at approximately \$50 million. Defendant Stanleick said the guide up came “[a]s a result of the momentum we’re seeing across the business and the *strong rollout of Syndeo.*”

75. That same day, Defendants Stanleick and Woo hosted the Q1 2022 earnings call with analysts. On the earnings call, Defendants Stanleick and Woo published an investor presentation, which included a slide highlighting the “*highly successful launch of Syndeo*” and “*strong enthusiasm for product.*”¹¹

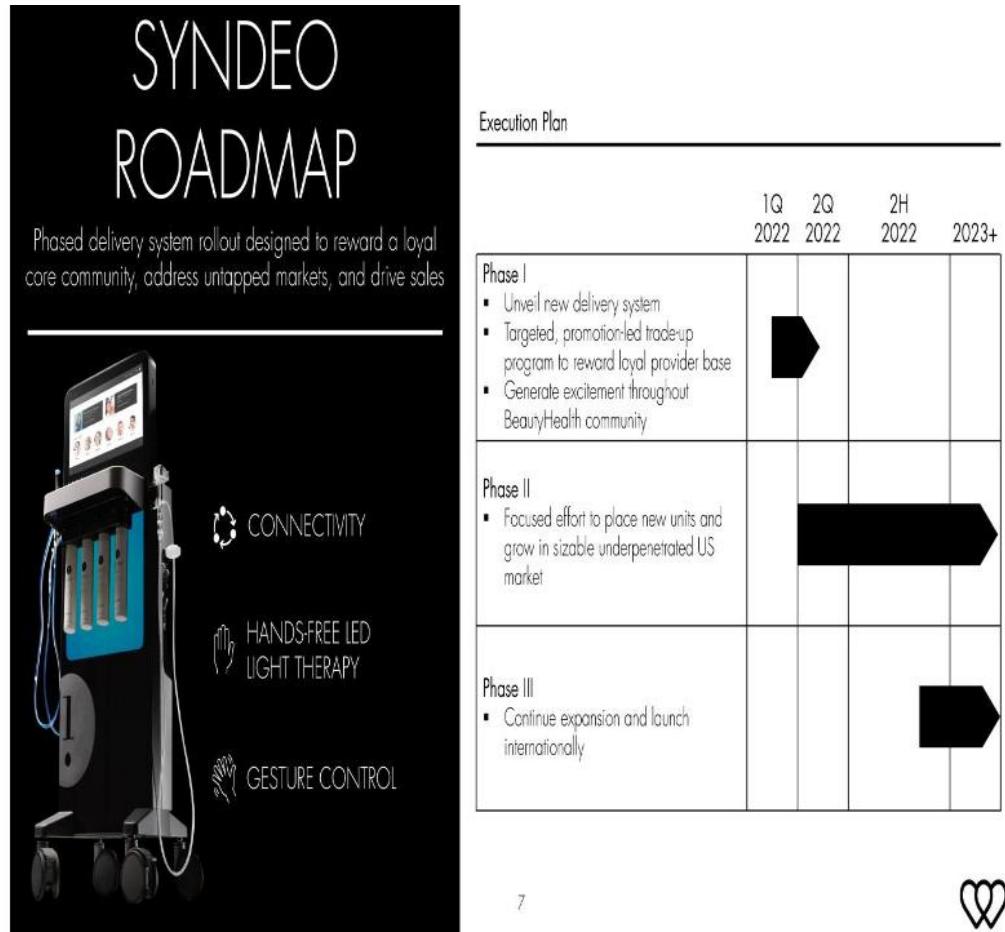


76. On the call, referring to slide 5, Defendant Stanleick explained that the record delivery and growth was driven by “the deliberate and planned strategic promotions we unveiled in connection with the US launch of Syndeo in mid-March.” Stanleick touted Syndeo’s functionality and the positive customer feedback the Company had received, calling Syndeo “a revolutionary system that offers significant improvements and a personalized experience for providers and consumers. *I’m thrilled*

¹¹ “BeautyHealth First Quarter 2022 Earnings Presentation” (May 10, 2022) at slide 5, filed on Form 8-K with the SEC on May 10, 2022.

by the strong early feedback we are receiving from the field, which validates our experience-led approach to innovation and product development.”

77. On the earnings call, Defendants Stanleick and Woo published another slide outlining BeautyHealth’s three-phased execution plan for Syndeo:¹²



78. Defendant Stanleick emphasized BeautyHealth’s “amazing job executing on the first phase of the planned rollout” and tremendous customer enthusiasm for Syndeo generating unexpected trade-ins of legacy HydraFacial machines, justifying the Company’s net sales guidance raise.

79. When asked by analysts, Defendant Stanleick agreed that Syndeo had helped reengage early adopters’ consumable utilization, Defendant Stanleick agreed

¹² “BeautyHealth First Quarter 2022 Earnings Presentation” (May 10, 2022) at slide 7, filed on Form 8-K with the SEC on May 10, 2022.

1 saying, “Yeah. And I spent a lot of time in the field with providers and aestheticians
2 during the last few weeks since the launch. And absolutely, it’s really reengaging, the
3 new machines is really, what’s – also visited the machines, the new training, it’s really
4 driving the Consumables and the whole interest aims back into HydraFacial.”

5 80. Securities analysts were intrigued by Syndeo’s strong interest right out of
6 the gate. Piper Sandler noted, “We remain OW (Overweight) on SKIN and continue to
7 view it as a top name in the consumer/healthcare crossover space following a solid Q1
8 report (sales +59% y/y vs. Street’s +43%) and outlook (top line guidance raised by
9 \$10M) that suggest sustained momentum. Specifically, uptake of Syndeo has been
10 strong via both new orders and trade-ups.”¹³

11 81. Similarly, in reiterating its “Buy” rating, Canaccord remarked, “Bottom
12 line: SKIN reported yet another impressive print with the launch of the next-generation
13 Syndeo platform underway. . . SKIN’s new CEO Andrew Stanleick seems to have
14 arrived at an opportune time to leverage his brand marketing expertise to drive adoption
15 of Syndeo, which we believe represents an opportunity to kickstart a flywheel of
16 utilization growth when paired with the consumer-facing app and home use device.”¹⁴

17 Unbeknownst to the market, Defendants May 10, 2022 statements regarding the “highly
18 successful launch of Syndeo” and “strong rollout of Syndeo” were materially false.
19 Defendants also failed to disclose material facts that cut against these positive
20 statements about Syndeo. As detailed above and further below, when Defendants called
21 Syndeo “a revolutionary system” that offered significant improvements over legacy
22 versions, Defendants knew: (i) the device launched with readily apparent issues,
23 including screen glitches; and (ii) beginning in March and April 2022, customers
24

25
26 ¹³ “The Beauty Health Co. (SKIN): Trading Margins for Trade-Up Strength, We’ll
Take It; Reiterate OW,” Piper Sandler Research (May 10, 2022).

27 ¹⁴ “The Beauty Health Company: Syndeo upside and execution the story coming out
28 of Q1 for SKIN,” Canaccord Genuity LLC (US) (May 10, 2022).

1 reported widespread cosmetic and performance-related issues resulting from design
2 defects and new off-shore suppliers. As a result, contrary to Defendants' repeated
3 representations that they were receiving strong early feedback from customers, the
4 Company was being inundated with complaints ranging from part fitment problems and
5 blemishes to plugging flow issues rendering the machine inoperable. Having chosen to
6 speak about Syndeo rollout, the device's functionality and customer reaction,
7 Defendants were duty-bound to reveal this adverse information to avoid giving
8 BeautyHealth investors a misleading impression about the true state of the Syndeo
9 program.

10 82. In June 2022, leading up to the Q2 2022 earnings release in August 2022,
11 Defendants Stanleick and Woo attended analyst conferences. Stanleick and Woo made
12 no mention of the many unresolved cosmetic and performance-related issues afflicting
13 Syndeo at the analysts' conferences. Instead, Defendants continued to hype the Syndeo
14 launch and how the device would help the Company drive sustainable growth. For
15 example, on June 19, 2022, Stanleick and Woo attended the Jefferies Consumer
16 Conference, where Stanleick emphasized Syndeo's "*really handy functional benefits.*"
17 Notably, when asked by a Jeffries analyst what he was most proud of that was achieved
18 by the Company over the past year, Defendant Stanleick stated, "*Clearly, it's the*
19 *flawless global launch of Syndeo*". Stanleick made this comment after hearing directly
20 from BeautyHealth Capital Sales Managers about the issues plaguing the Syndeo during
21 a June 14, 2022 call. In addition, prior to attending the Jefferies conference, Stanleick
22 led a BeautyHealth executive committee offsite meeting on or around June 14-16, 2022
23 where he stated that the "*#1 priority is to focus on Syndeo and getting it back on track*"
24 and that "*there is nothing that is more important for the organization.*"

25 **F. Defendants concealed that the Syndeo system was flawed from the get-go.**

26 83. As set forth above and below, Defendants' May 10, 2022 and June 19, 2022
27 statements gave every indication to investors that Syndeo's launch was a success.
28 However, according to well-placed former BeautyHealth employees, FE-1, FE-4, and

1 FE-5, the first version of the Syndeo systems rolled out between March 2022 through
2 approximately September 2022 were afflicted with a host of cosmetic and functional
3 issues, including a prominent plugging problem, which the Executive Defendants were
4 repeatedly and contemporaneously informed about. These issues led Stanleick in June
5 2022 to start and lead a weekly “Syndeo Powerhouse” meeting to “understand issues,
6 set dates and hold people accountable.” While BeautyHealth eventually devised a
7 strategy to secretly fix the Syndeo systems and appease customers in the meantime, the
8 remediation efforts were ineffectual, leading to strained customer relationships, lost
9 sales, and a damaged brand image.

10 **1. Defendants rushed the launch of Syndeo in March 2022 with**
11 **knowledge of issues affecting its functionality.**

12 84. As detailed in ¶¶61-70, Defendants launched the Syndeo in March 2022
13 despite limited testing and the presence of known issues including screen glitches.
14 Defendants rushed Syndeo to market to combat weakening consumable sales that
15 constituted material recurring revenue for the Company.

16 **2. Syndeo had extensive cosmetic issues, which matters when a device is**
17 **as costly as Syndeo and intended to be used where visible to clients.**

18 85. The Syndeo systems employed a different design that was not present in
19 other previous HydraFacial systems and BeautyHealth utilized different suppliers,
20 which combination led to fitment and other cosmetic problems, according to FE-1. FE-
21 1 said Woo dictated that the Company utilize China-based suppliers for its Syndeo
22 system as a “cost play.” The new design and suppliers did not necessarily cause
23 functionality problems with Syndeo, but instead led to cosmetic problems with the
24 machine, including fitment and blemishes.

25 86. The cosmetic issues in the early Syndeo rollout were systemic. FE-1
26 estimated the cosmetic problems were present in 30% of the early version Syndeo
27 systems, internally dubbed Syndeo 1.0, before corrective action was later implemented
28 in or around July 2022 such as using double-sided tape (further described below).

1 87. The cosmetic issues upset early adopters of the Syndeo system. FE-1
2 explained that Syndeo's extensive cosmetic issues were problematic for two reasons.
3 First, the machine is costly. "There's a lot of cosmetic issues," FE-1 said about Syndeo
4 1.0. "The esthetician and the office are paying a lot of money for a machine." FE-1 said
5 the Syndeo systems retailed at \$40,000 or as much as a car, so BeautyHealth's
6 esthetician customers were not tolerant of cosmetic flaws. Second, FE-1 said the
7 Syndeo system is intended to be used where it is visible to the client. FE-1 stated
8 Syndeo's cost made customers feisty when they discovered cosmetic flaws from cheap
9 workmanship. "We had a lot of cosmetic issues that customers had problems with," FE-
10 1 said.

11 **3. Woo knew of Syndeo's cosmetic issues and customer complaints;**
12 **Rather than address the source issues, Woo directed BeautyHealth to**
13 **send customers new replacement machines with the same problems.**

14 88. Defendant Woo was repeatedly informed that the new design and new
15 suppliers were causing cosmetic issues in the Syndeo systems and leading to customer
16 complaints but expressed unwillingness to address the design or replace the suppliers
17 causing the cosmetic issues. FE-1 said that although Woo was BeautyHealth's Chief
18 Financial Officer, after BeautyHealth's CEO Clint Carnell departed in 2021, Defendant
19 Woo was put in charge of all operations. FE-1 said that when Defendant Woo was
20 informed of the cosmetic issue problem, Woo responded, "Well, we're not going to
21 scrap it and return it — we need to use it. The components on the shelf. Do you
22 understand?" "She basically was telling everybody, we're going to use this, just get it
23 out there," FE-1 said.

24 89. Woo's solution to the systemic cosmetic issues was to simply replace the
25 existing Syndeo with a new machine. According to FE-1, Woo said, "If there's a
26 problem, just give them a new machine." FE-1 emphasized that he personally heard
27 Woo say these things. FE-1 said that Woo told this directly to him and BeautyHealth's
28 VP of Customer Experience, Tech Support and Sales Operations Nancy Parash at the
Long Beach warehouse facilities on occasions between March 2022 through July 2022.

1 90. As to the cosmetic issues, FE-1 said “we saw a lot of complaints for it, and
2 we replaced every machine, no questions asked—we’d send a brand new unit out.” If
3 a customer was concerned about a cosmetic issue with their machine, FE-1 said,
4 HydraFacial would, “say ‘here’s an RMA [a Return Merchandise Authorization]¹⁵ —
5 send it back, we’re going to send you a brand new machine.”

6 91. The Individual Defendants’ decision to replace the Syndeo machine with a
7 new machine did not resolve the cosmetic issues or customer dissatisfaction because the
8 Company would send out a new machine that likely had the exact same cosmetic
9 problems as the replaced machine, according to FE-1. When asked if BeautyHealth
10 would send out new machines with the same cosmetic problems, FE-1 confirmed, “We
11 absolutely did.” FE-1 said, “[w]e did it knowing that we didn’t fix the problems that
12 customers experienced — and we’re going to send them a brand-new machine that may
13 have the exact same problem.” FE-1 said “One customer went through 5 machines due
14 to cosmetic issues.”

15 **4. Early Syndeo customers complained about a variety of Syndeo**
16 **functional issues beginning in March/April 2022.**

17 92. Issues affecting Syndeo’s functionality occurred soon after launch.
18 According to CW-1, an early Syndeo customer, on or around April 26, 2022, CW-1
19 emailed Allison Walters (Business Development Manager), Jennifer Palmquist (Capital
20 Sales Manager) and Jackie Duncan (Regional Sales Director) about the Syndeo not
21 drawing serum through the tube and the screen going blank or turning off on its own.

22 93. FE-5 similarly said it did not take long for problems to come to light after
23 Syndeo’s launch. As early as March/April 2022, FE-5 said that during installations with

24 ¹⁵ A Return Merchandise Authorization (RMA) is an authorization that allows a
25 customer to return or replace a product to a manufacturer. See, “What is a return
26 merchandise authorization (RMA)?,” *TechTarget* (Katie Terrell Hanna),
27 [https://www.techtarget.com/whatis/definition/return-merchandise-authorization-
RMA#:~:text=An%20RMA%20\(return%20merchandise%20authorization,have%20a
28 %20policy%20concerning%20returns](https://www.techtarget.com/whatis/definition/return-merchandise-authorization-RMA#:~:text=An%20RMA%20(return%20merchandise%20authorization,have%20a%20policy%20concerning%20returns) (last accessed May 5, 2025).

1 customers, FE-5 sometimes experienced problems with the device’s software, including
2 issues with suction and the device not turning on. “It started to happen pretty quickly
3 after the devices launched,” FE-5 said. FE-5 said many customers were dissatisfied. FE-
4 5 added that FE-5 had “a lot of returns for the machine – they swapped it out and gave
5 them new machines or fixed it.”

6 94. FE-4 said that customers were allowed to keep their older Elite devices for
7 30-60 days as back-up after the delivery of the Syndeo in case of issues. And back-up
8 was needed, as FE-4 started receiving complaints from customers as soon as they took
9 delivery, as early as April 2022. FE-4 described customers calling “at all hours” and
10 complaining. FE-4 received complaints about screen issues, devices not registering,
11 monitors that would not turn on, and systems going black. Customers also complained
12 about the device pulling too much solution, per FE-4. FE-4 also received complaints
13 about the devices clogging, as well as needing to move bottles of solution between ports
14 on the device to get them to function. Finally, FE-4 said customers identified cosmetic
15 issues with the devices, including pieces falling off and the panels not being fully
16 attached. FE-4 estimated that around 85-90% of her customers complained about their
17 Syndeo devices.

18 95. After receiving complaints, FE-4 would report them immediately to
19 customer service and her manager, and if necessary, higher up if issues were not being
20 addressed. Customer service or support tracked the complaints in Salesforce (*see infra*,
21 ¶100).

22 96. FE-4 said that in response to complaints, the Company would send out
23 replacement devices. FE-4 was told that there were no quality control measures in place
24 to inspect the replacement devices before they were sent out.

25 **5. The Syndeo 1.0 system plugged up due to a design flaw.**

26 97. Separate and apart from the cosmetic issues and other functional issues
27 described by FE-1, FE-4, FE-5, and CW-1, Defendants learned in April/May 2022 that
28 the early Syndeo systems were afflicted by an even more serious issue – due to a design

1 flaw, Syndeo systems using serums routinely clogged up, preventing the customer from
2 being able to use the machine. FE-1 said there was a flaw in the original design of the
3 Syndeo where there was a channel in the manifold that was too thin and had a membrane
4 that covered it.

5 98. The design flaw that led to the plugging stemmed from a new design of the
6 manifold with the help of a design contractor not previously involved in previous
7 HydraFacial systems. FE-1 said the original manifold for the HydraFacial was designed
8 by Omnica. The design contractor who helped design the manifold for the Syndeo was
9 Haroon L. FE-1 said, “It wasn’t a copy of what our previous [HydraFacial] machine,
10 where we had no problem — that was our flagship, and we didn’t use the same system.”
11 They redesigned the manifold with the help of a design contractor, and problems were
12 introduced in that process. “Flow was one item that really destroyed us,” FE-1 said.
13 “The manifold where you connect the bottles to the different serums was getting plugged
14 up.”

15 99. FE-1 said that the flow issues came to light in April/May 2022 and then
16 got heavier and heavier in later months. FE-1 explained that once providers starts using
17 the Syndeo more and more in the actual commercial setting, that’s when the Syndeo
18 starts getting clogged up.

19 100. According to FE-1, early Syndeo customers discovered the plugging issue
20 and began complaining. Complaints came into the customer service or support. The
21 customer entered their serial number and said it wasn’t flowing. Customer service or
22 support tracked the complaints in Salesforce, which data could be extracted by
23 department heads like FE-1. In May and June 2022, the complaints increased
24 significantly.

25 101. The plugging issue was widespread. When asked about what the impact
26 of the plugging issue by late Q2 2022 for Syndeo, FE-1 said, “It’s definitely more than
27 20%.” “Probably as much as 50% maximum.” At least 20% were clogging, and
28 clogging was the biggest complaint.

1 102. Syndeo’s response to the customer complaints regarding the plugging
2 issues was identical to the cosmetic issues – to immediately send out a new machine.
3 FE-1 explained that BeautyHealth began having its customers send in their broken units.

4 103. HydraFacial deemed it economical to send out an entirely new machine
5 rather than sending a technician to fix the unit on-site, according to FE-1. “Originally,
6 we weren’t equipped to be able to go fix the machine,” FE-1 said. “When we started
7 going out there to fix it we, the technicians, weren’t capable of fixing everything.” The
8 HydraFacial Company’s technicians were up to the task of certain small things. They
9 could also update the firmware or try to correct a cosmetic issue using double-sided tape
10 or something to close up the gaps in the enclosures. But even after receiving the recalled
11 units, for the first half of 2022, the Company didn’t have a clear plan or timetable for
12 fixing them, according to FE-1. “We only had brand new machines, so we’re sending
13 brand new machines,” FE-1 said. “We get their unit back, and then we’re supposed to
14 investigate it, but the operations team didn’t investigate.” “They [i.e. the returned
15 Syndeo systems] piled up so fast that the operations team just couldn’t turn around and
16 didn’t have [a fix],” FE-1 said. “They just kept sending out and making new machines
17 as fast as possible to send new machines out.”

18 104. In addition, by sending customers new units, HydraFacial thought it was
19 more likely the customer could keep performing HydraFacials, which meant the
20 Company kept selling serums, according to FE-1. FE-1 said the recurring revenue from
21 serum sales was material for the Company. FE-1 likened Syndeo to a printer and the
22 serums to ink, agreeing that “that’s where you make your margins.” Moreover, in light
23 of weakening consumable sales (*see supra* ¶¶62-67), Defendants had even greater
24 reason to ensure customers remained in the HydraFacial ecosystem and were using
25 Syndeos that could only accept on-brand serums and other consumables.

26 105. Unfortunately, the replacement machines tended to run into the same sorts
27 of problems as their predecessors, leading to their eventual return and restarting the
28

1 cycle, FE-1 said. “The company was giving customers new machines with the same
2 problems.” “Because it took a long time to fix because there was no fix.”

3 **6. BeautyHealth senior management discussed Syndeo 1.0 problems at**
4 **regular Tiger Team meetings, which flowed up to Woo.**

5 106. Throughout the Class Period, BeautyHealth senior management discussed
6 the Syndeo plugging issues (and the cosmetic issues) through regular “Tiger Team slash
7 meetings.” FE-1 stated the effort was led by BeautyHealth Engineer Jack Fisher, who
8 was project managing the effort to rectify the issues impacting Syndeo post-launch. FE-
9 1 said he initially knew of the Tiger Team meeting because his direct supervisor, the
10 Vice President, Quality, Regulatory Affairs, and Research and Development,
11 participated in the Tiger Team. After FE-1’s supervisor left the company, FE-1 would
12 attend. FE-1 said that “the meetings were pretty much like a report out of where we were
13 on things.”

14 107. Throughout the Class Period, information from the Tiger Team meetings,
15 including the plugging flow issue, reached the C-suite, including Defendant Woo. FE-
16 1 said the flow issue was discussed in follow-up notes from the Tiger Team meetings,
17 which were emailed to participants and BeautyHealth’s executive officers. Every week,
18 FE-1 received a “Syndeo issues” email, likely bearing that title, consisting of minutes
19 of the weekly action-items. FE-1 said Woo was included on the emails, as were the
20 marketing VPs, operations VPs, VP of Customer Experience, Tech Support and Sales
21 Operations. “There’s a lot of people that were on this — they didn’t hide it; it was one
22 of these things that they showed everybody working on,” FE-1 said.

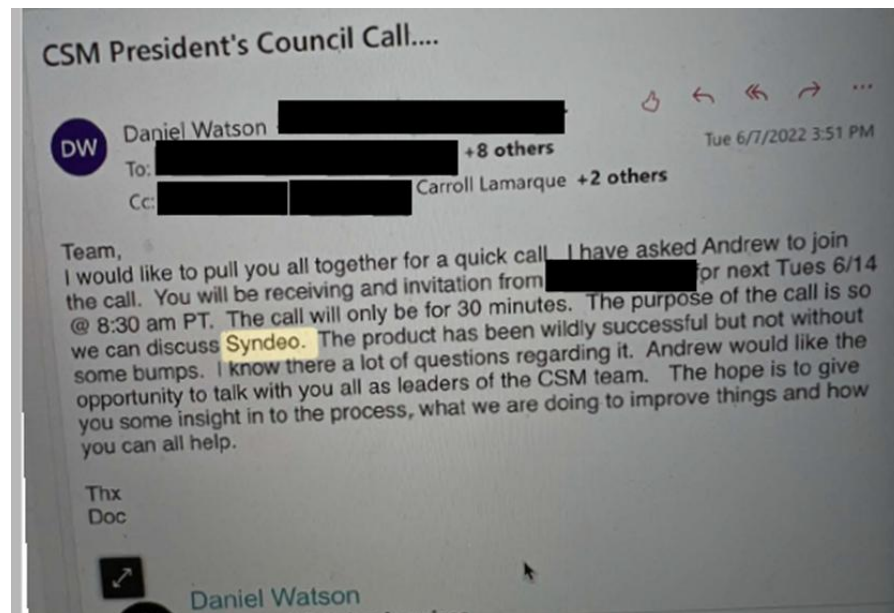
23 108. But the Company’s openness in discussing Syndeo’s early issues did not
24 extend to investors. FE-1 said, “I didn’t see them as hiding anything *unless it was done*
25 *at the C-level, like reporting to investors.*”
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7. **In June 2022, CEO Andrew Stanleick states BeautyHealth’s “#1 priority is to focus on Syndeo and getting it back on track” as there is “nothing that is more important for the organization.”**

109. In June 2022, Syndeo issues were so pervasive that “getting it back on track” became CEO Andrew Stanleick’s and the Company’s “#1 priority.”

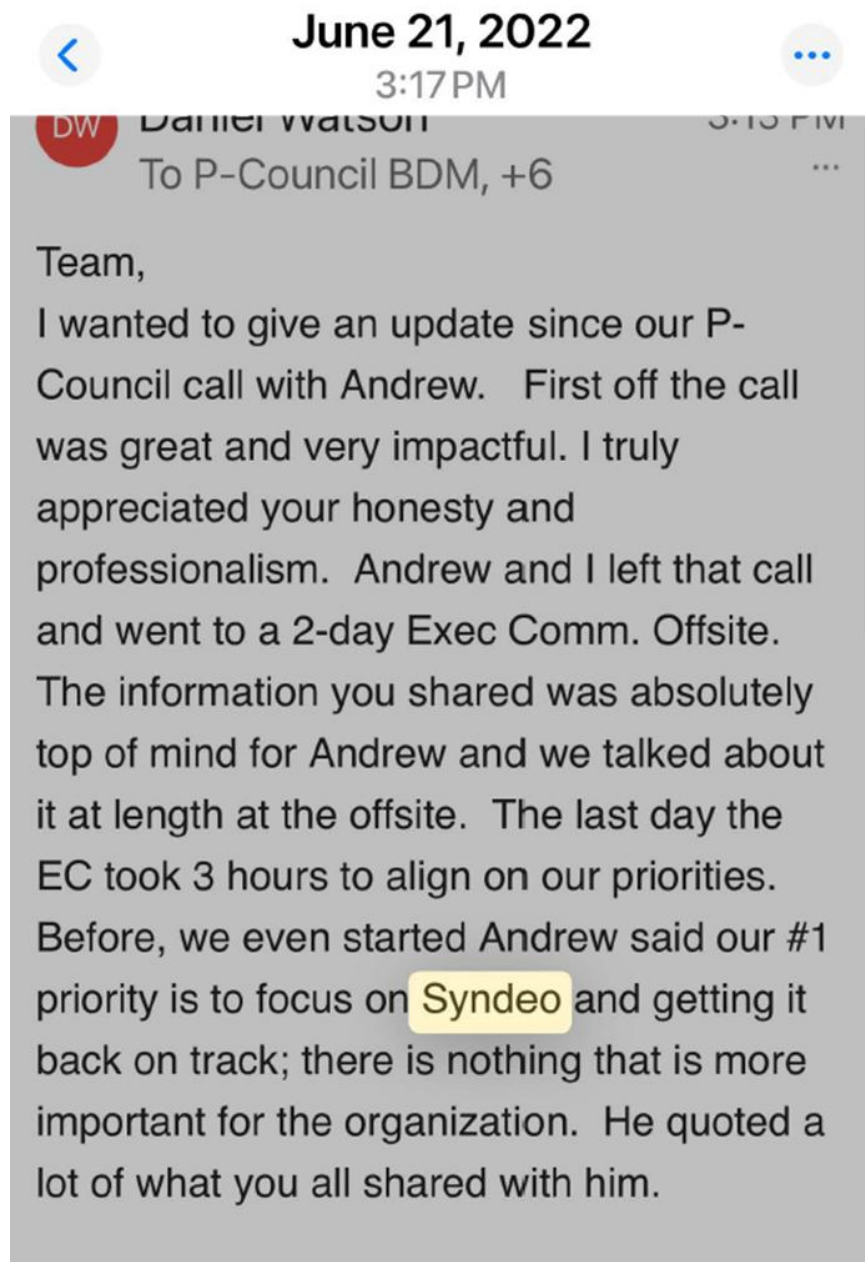
110. Per information provided by FE-4, Stanleick joined a President’s Council meeting on June 14, 2022. FE-4 served on the President’s Council. The President’s Council consisted of appointed Capital Sales Managers and Business Development Managers that would meet monthly on Zoom and address field issues and potential fixes, according to FE-4. FE-4 said that President’s Council provided the opportunity for employees out in the field, like FE-4, to discuss issues directly with management.

111. As described in an internal June 7, 2022 email from then Executive Vice President of Sales, Daniel “Doc” Watson, “Andrew” (*i.e.*, Stanleick) would join the June 14, 2022 President Council’s meeting to “discuss Syndeo.” While Watson described Syndeo as “wildly successful,” he acknowledged “some bumps” and that “there [are] a lot of questions regarding it.” Watson said the hope was that a meeting with Stanleick would give the Capital Sales Managers “insight in to the process, what we are doing to improve things and how you can all help.”



Screenshot provided by FE-4 of June 7, 2022 email from Daniel “Doc” Watson to members of the President’s Council.

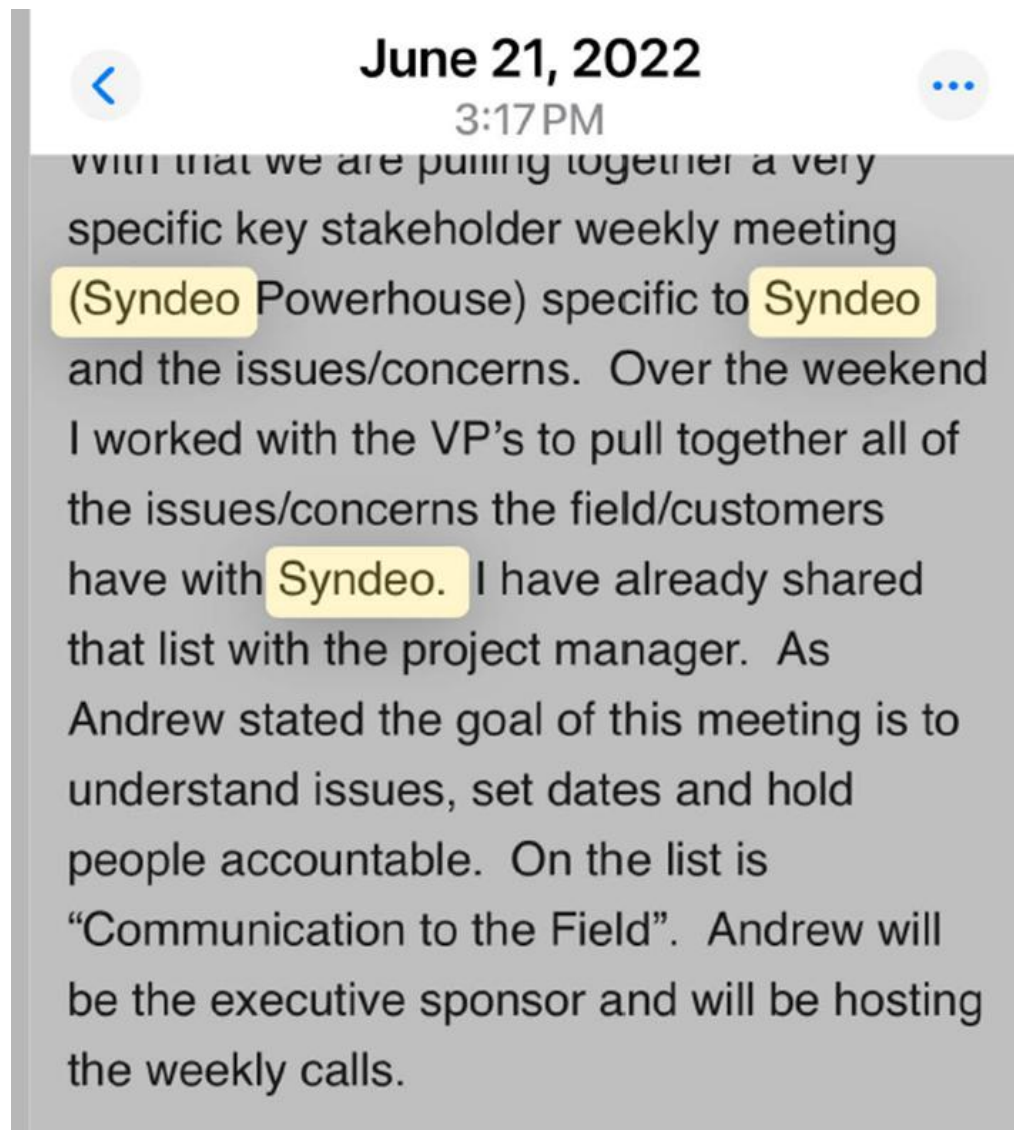
1 112. After the meeting on June 14, 2022, FE-4 received another electronic
2 communication from Watson on or around June 21, 2022 to “give an update since our
3 P-Council call with Andrew.” Watson thanked everyone for their “honesty and
4 professionalism.” After the meeting, Watson said he and Stanleick went to a “2-day
5 Exec Comm. Offsite.” Watson confirmed that the “*information you shared was*
6 *absolutely top of mind for Andrew and we talked about it at length at the offsite.*”
7 Specifically, Watson described how the “EC took 3 hours” on the last day “to align on
8 our priorities.” Watson added that “[b]efore [] we even started *Andrew said our #1*
9 *priority is to focus on Syndeo and getting it back on track; there is nothing that is*
10 *more important for the organization.*”
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Screenshot provided by FE-4 of excerpt of electronic communication dated on or around June 21, 2022 from Daniel “Doc” Watson to President’s Council.

113. Watson went on to describe steps that would be taken to address the Syndeo issues. Watson said “we are pulling together *a very specific key stakeholder weekly meeting (Syndeo Powerhouse) specific to Syndeo and the issues/concerns.*” Watson said he had “worked with the VP’s to pull together all of the issues/concerns the field/customers have with Syndeo.” As described by Watson, Stanleick’s “goal” for this weekly meeting “is to understand issues, set dates and hold people accountable.”

Watson confirmed that “*Andrew will be the executive sponsor and will be hosting the weekly calls.*”



Screenshot provided by FE-4 of excerpt of electronic communication dated on or around June 21, 2022 from Daniel “Doc” Watson to President’s Council.

114. Finally, Watson described how “[o]n the PC call Andrew suggested a weekly ‘War Room’ call which might be the way we go.” But regardless, Watson said “there will be a Syndeo Powerhouse meeting this week and we will discuss ideas on the best way to communicate back to you.” Watson promised to “circle back with you all early next week,” and closed with an acknowledgement that “*I know it is tough but we will get through this and we will come out this [sic] as an even better and stronger organization.*”

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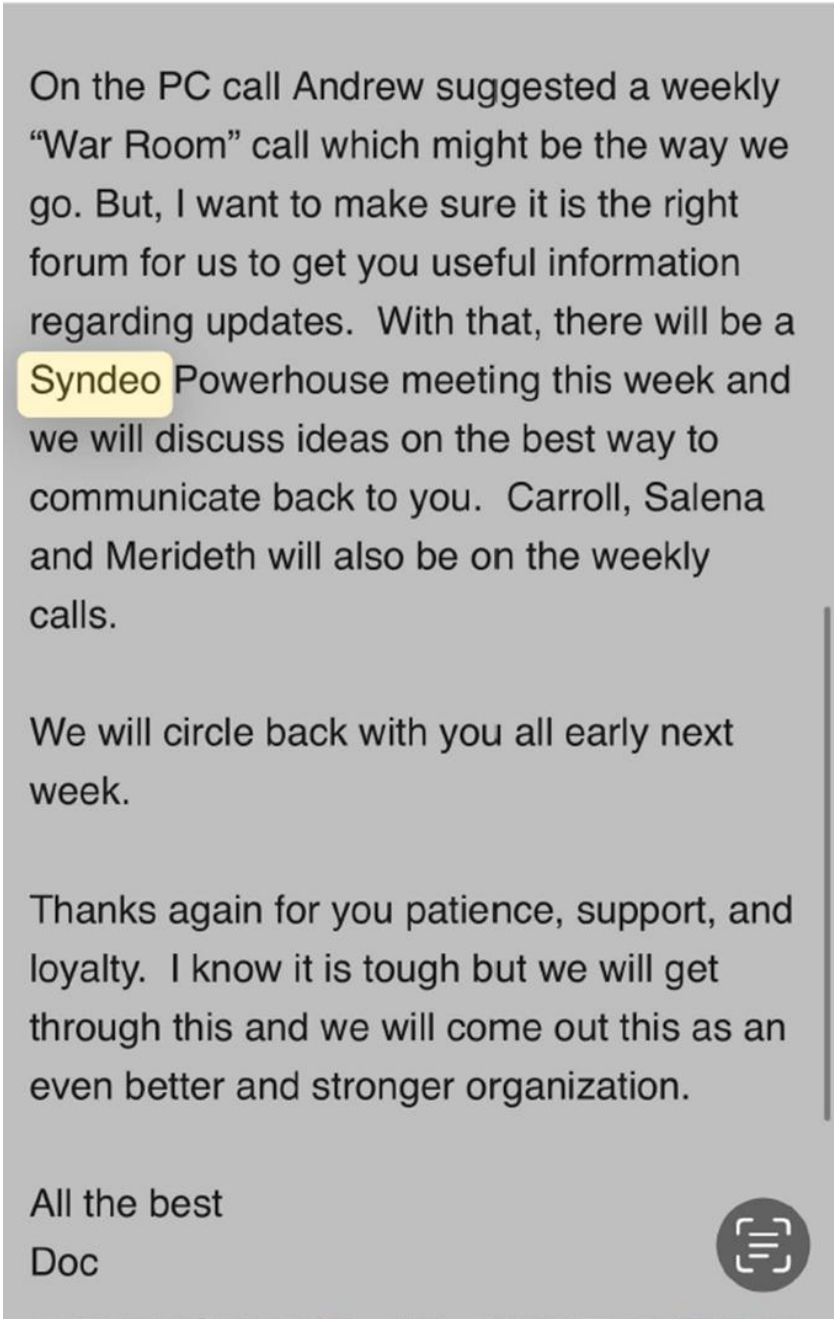
June 21, 2022
3:17 PM

On the PC call Andrew suggested a weekly “War Room” call which might be the way we go. But, I want to make sure it is the right forum for us to get you useful information regarding updates. With that, there will be a **Syndeo** Powerhouse meeting this week and we will discuss ideas on the best way to communicate back to you. Carroll, Salena and Merideth will also be on the weekly calls.

We will circle back with you all early next week.

Thanks again for you patience, support, and loyalty. I know it is tough but we will get through this and we will come out this as an even better and stronger organization.

All the best
Doc



Screenshot provided by FE-4 of excerpt of electronic communication dated on or around June 21, 2022 from Daniel “Doc” Watson to President’s Council.

8. Stanleick discussed Syndeo issues during monthly town hall calls.

115. Apart from his decision to spearhead a weekly “Syndeo Powerhouse” meeting, Stanleick knew of early Syndeo 1.0 issues based on, among other things, his attendance and participation in quarterly townhall meetings. FE-1 attended quarterly

1 town hall meetings held both in person and via video conference led by Stanleick and
2 other management. FE-1 said BeautyHealth management regularly held quarterly
3 townhall meetings immediately before publicly reporting quarterly results. FE-1 said
4 that Syndeo 1.0 issues were acknowledged by management at the town hall meetings.
5 FE-1 recalled a townhall meeting occurring in or about August 2022 in which Stanleick
6 acknowledged the Syndeo challenges.

7 116. Defendant Stanleick's discussion of Syndeo issues during town hall
8 meetings throughout the Class Period is further corroborated through the accounts of
9 multiple other Former Employees. FE-2 also attended town hall meetings while
10 employed during the Class Period during where CEO Andrew Stanleick spoke to
11 employees and "definitely acknowledged that [Syndeo] was a problem." "Management
12 said that they were doing upgrades and creating different software to kind of fix it." FE-
13 2 said Stanleick also referenced the Syndeo problems during companywide calls. Also,
14 FE-2 said that FE-2 heard from friends who still worked at HydraFacial that before FE-
15 2 rejoined the Company in April 2023, Stanleick had told employees about the Syndeo
16 issues during the regular town halls. "When it started happening, it devalued our brand
17 so much," FE-2 said of the problems. "He acknowledged (the problems) for sure," FE-
18 2 said, noting that Stanleick always told employees that the Company was working to
19 get the problems fixed.

20 **9. BeautyHealth's extensive efforts to solve the Syndeo 1.0 plugging**
21 **issues.**

22 117. By early Q2 2022, there was a divergence in methodology between
23 BeautyHealth's operations team and BeautyHealth R&D/quality team on how
24 BeautyHealth should go about addressing the Syndeo plugging issues. FE-1 said, "there
25 was a delay in getting it fixed because there's two different teams fighting over how
26 we're going to fix it." "When R&D was trying to resolve and find a way to fix those
27 problems, operations hired their own people to do it and came up with a different
28 solution," said FE-1.

1 118. Disagreement and tension between the Operations Team and the
2 R&D/Quality team was constant throughout FE-1's tenure. FE-1 said the R&D/Quality
3 group was routinely overwritten by the operations group. FE-1 said the operations team
4 was able to override the R&D/Quality team because Woo, who was in charge of
5 operations (as well as finance operations, and sales and marketing), invariably sided
6 with the operations team. "The meetings were done by the Operations team with Woo
7 and the Vice President Supply Chain, Production and Engineering, pretty much," FE-1
8 said. "And a couple of other guys — Jack Fisher was another gentleman that came in
9 later." "They pretty much did whatever they wanted to and would just ignore what we
10 said we had to do," FE-1 said of operations. "The only time we got support from them
11 (the operations group) is when we were about to have a big audit like ISO (International
12 Organization for Standardization) certification, and then basically said, 'you're going to
13 fail if you don't do these things correctly'." Those words prompted the other side to
14 "clean up their act a little bit." As soon as the audit was completed, however, they would
15 "go back to doing whatever they wanted," FE-1 said. "I remember talking to [Vice
16 President, Supply Chain, Production and Engineering]— he ran all the manufacturing,"
17 FE-1 said. "At one point, there was so much angst between the quality regulatory R&D
18 group and the operations group that Vice President, Supply Chain, Production and
19 Engineering told FE-1 that Woo told the Vice President, Supply Chain, Production and
20 Engineering that operations doesn't have to listen to us, even though from a regulatory
21 standpoint, quality can stop anything at any point."

22 **10. The Operations Team made poor recommended fixes, which top**
23 **management approved, despite lack of testing and input from the**
24 **R&D/Quality team.**

25 119. The winning idea for addressing the Syndeo plugging issues (i.e., the one
26 that management selected) was generated by the operations team and involved creating
27 a giant port to the manifold instead of a small channel, according to FE-1. FE-1 said he
28 and the R&D Quality team were of the belief that "[the proposed larger channel] wasn't
a fix that fixed everything". "We kept pointing out there are still other issues that we

1 think could be causing it, and they (the operations team) tended to ignore it,” FE-1 said.
2 FE-1 wanted to test more, but “they said no, just this is going to be it.”

3 120. Between April/May 2022 and July 2022, FE-1 recalled attending meetings
4 in which the Company’s operations team demonstrated the new design for Syndeo it
5 thought was going to address the clogging issue. In addition, at the engineering level
6 there were several meetings, including one where someone from FE-1’s team from
7 engineering looked at the new designs. “I was in several meetings for that, and we
8 actually approved it only because at one point there was no argument; they said they
9 weren’t going to do more testing,” FE-1 said. “We wanted to see if the new design would
10 resolve all issues, they said ‘no, we’re not gonna do more testing — we proved that it
11 works.’”

12 121. At that point, FE-1 said, it was either go out of business or approve it
13 (operations’ proposed fix) with fingers crossed. While FE-1 worked to meet the
14 minimum requirement to pass, he and his supervisor, and the Director of R&D remained
15 uncomfortable with it. “We’re all not comfortable with what was happening, but again
16 we’re being overridden,” FE-1 said. FE-1 said he could approve it without a guilty
17 conscience because there was no health risk to the patient.

18 122. But “from a business standpoint, though, we felt there should have been
19 more done as far as testing,” FE-1 said. Operations would say, “Here’s all of our
20 finished data.” The two groups argued about the process in the final meeting. There was
21 a whole deck of “what we call design history files” that FE-1 said related to what the
22 Company would later dub as Syndeo 2.0. “That will give you the picture of all the work
23 that was done, all the testing that was done, and the results,” FE-1 said.

24 123. Woo and Stanleick attended at least one meeting related to the new design
25 tests and approval before July 2022, according to FE-1. Although FE-1 did not attend,
26 “I heard of after the fact they attended, and they looked at the results from this,” FE-1
27 said of the CEO and CFO. FE-1 explained that he was told this directly by
28

1 BeautyHealth's Director of Engineering Samir Enjave, who FE-1 understood attended
2 the meeting with Woo, Stanleick and others.

3 124. FE-1 characterized the content of the Syndeo re-design meetings he did
4 attend as "We have to fix this problem and how we're going to fix it. So it was just a
5 matter of meetings that happen and then just approvals," FE-1 said. With respect to the
6 approval on the proposed new design intended to fix the plugging issue for early version
7 Syndeo systems (Syndeo 1.0), FE-1 said, "It would be pretty much every department
8 head would have to sign off on this." "That's part of the operations and R&D." FE-1
9 said that each group approves the part they're responsible for, not the overall picture.
10 The overall picture was approved by operations, by the Vice President of Supply Chain,
11 Production and Engineering at the highest level and below him Director of Engineering.

12 **11. Unbeknownst to investors, BeautyHealth implements Syndeo 2.0 plan**
13 **in July 2022.**

14 125. In July 2022, BeautyHealth implemented its plan to begin producing and
15 selling what it called Syndeo 2.0, which was Syndeo with a new manifold design and a
16 software fix called an air purge that was supposed to correct the flow rate issue. FE-1
17 explained that Syndeo 1.0 and 2.0 were the same device; the 2.0 designation referred to
18 the fix. FE-1 explained, prior to July 2022, "2.0 was just an internal term." "2.0 was an
19 internal thing — someone just coined the phrase and then started using it" FE-1 said.
20 But by July of 2022, The HydraFacial Company started referring to Syndeo 2.0. FE-1
21 said the fixes necessitated some differentiation. "We had to go out there in July and start
22 implementing fixing these manifolds — sending people out there to do that," FE-1 said.

23 126. FE-1 explained that Syndeo 2.0 did not immediately go out to market. FE-
24 1 explained that there was a lag time because first they had to provide the manufacturers
25 with the re-design and get them ready to produce new Syndeo devices in a new way.
26 FE-1 explained that the updated production did not occur until approximately
27 September 2022. In addition to manufacturing of the new Syndeo machines, the 2.0
28 designation also referred to a fix for existing Syndeo 1.0 units in the field, which

1 occurred after the updated production plan was put in place. FE-1 explained technicians
2 were sent out to the field in around October 2022 to implement the Syndeo 2.0 fixes on
3 customers' existing Syndeo devices. "First, we updated production — we took all the
4 new units that we're going to build and started using this larger channel manifold," FE-
5 1 said. "That was what was initially done. And then we sent technicians out to the field
6 that worked for us, our employees who went in and did the fixes." "We would check
7 out the manifold, and then while we're there, we fix some cosmetic issues."

8 127. In terms of onsite fixing of existing Syndeos, FE-1 said that The
9 HydraFacial Company started with a third-party technician house that helped them fix
10 some machines in the field. "I heard from others that that was also a data disaster," FE-
11 1 said. "Because they weren't very familiar with the actual product." FE-1 said that
12 BeautyHealth then shifted to its own team in late 2022. "We were a lot more successful
13 with it," FE-1 said. They just couldn't keep up because there were so many units."

14 128. Any proposed fix for Syndeo customers could not come fast enough. For
15 example, CW-1 said that by July 2022, she was on her third Syndeo device. At that time,
16 CW-1 reached out to her local HydraFacial representative to ask whether she would
17 receive compensation for the malfunctioning Syndeos and to express her
18 disappointment in the device because it caused her embarrassment with her clients.

19 **G. August 9, 2022: BeautyHealth delivers Q2 2022 results, calling the Syndeo**
20 **rollout a "tremendous success."**

21 129. Thus, Stanleick, Woo and BeautyHealth's most senior executives were
22 apprised through the beginning of the third quarter of 2022 that the Syndeo machine,
23 while selling briskly, had many unresolved issues which had led to customer
24 dissatisfaction. These issues led Stanleick to state "there is nothing that is more
25 important for the organization" than to "focus on Syndeo and getting it back on track."
26 Stanleick himself would lead weekly "Syndeo Powerhouse" meetings to "understand
27 issues, set dates and hold people accountable." Nevertheless, the Company continued to
28 actively sell Syndeo 1.0 machines, which Defendants knew was likely to cause further

1 friction with customers and adversely impact financial results. And while the operations
2 team had devised a redesign of the manifold to address the plugging issues, Syndeo 2.0
3 was not thoroughly tested presenting even more risk to the Company.

4 130. The facts, however, did not stop BeautyHealth from continuing to tout
5 Syndeo. On August 9, 2022, the Company announced “record financial results that
6 exceeded expectations for the second quarter ended June 30, 2022.” The Company
7 reported all-time high quarterly net sales of \$103.5 million, up 55.7% year-over-year.
8 The press release highlighted the “Successful U.S. rollout of Syndeo, HydraFacial’s
9 next generation connected delivery system, with +108.3% sequential quarterly growth
10 in Americas number of systems sold since the first quarter 2022 when Syndeo was
11 launched.” The press release further represented that the strength in BeautyHealth’s top
12 line was largely driven by sales growth of “+76.6% year-over-year; driven by strong
13 demand for Syndeo.” Once again, BeautyHealth increased its market guidance, stating
14 that it expected net sales in the range of \$340-350 million for fiscal 2022 and reaffirmed
15 its outlook for adjusted EBITDA of approximately \$50 million.

16 131. Analysts were “encouraged by another strong quarter from BeautyHealth
17 and look[ed] for color on the [upcoming earnings] call on the drivers of the quarter’s
18 continued momentum, the state of the Syndeo launch, and plans to bring the new
19 platform internationally.”¹⁶

20 132. That same day, Stanleick and Woo hosted the August 9, 2022 Q2 2022
21 earnings call with analysts. Defendants again made no mention of the plugging issues
22

23 ¹⁶ “Early Road on 2Q22 Results,” J.P.Morgan Research (Aug. 9, 2022); *see also*,
24 “Quick Take: Another Impressive Top Line Beat, but Margin Pressures Remain,” Piper
25 Sandler (Aug. 9, 2022) (“What to Listen for on the Call . . . We also want to gain a better
26 understanding how trade ups to Syndeo have been trending and how margins have been
27 impacted as a result”); “Initial Take: Strong Q2 Led by Syndeo System Placements; FY
28 Sales Guide Raised,” Jeffries Research (Aug. 9, 2022) (“What We Are Listening For on
the Call: 1) Order book for Syndeo systems & any change in demand, trade-ins,
financing requests”).

1 and the Syndeo 2.0 initiative. Instead, in his opening remarks, Stanleick provided
2 precisely what analysts were eagerly awaiting to hear, stating that “the Syndeo rollout
3 in the U.S. has been a tremendous success, with 2,265 Syndeos placed since launch in
4 March. . . In the Americas, we achieved growth of 76.6%, fueled by the launch of
5 Syndeo. Having visited with hundreds of providers and consumers across the US, there
6 is an incredible enthusiasm for our new Syndeo delivery system and we see it in our
7 results.”

8 133. Defendants Stanleick and Woo published an investor presentation
9 featuring slides quoting positive reviews from select customers to support the notion
10 that BeautyHealth was “Successfully Executing Our Syndeo Rollout” and “Accelerating
11 Toward Planned 2023 Global Rollout.”

12 ① SUCCESSFULLY EXECUTING OUR SYNDEO ROLLOUT



“Easier to use with the no-touch system and provides more of a personal experience for our clients.”

—Provider, Fresno, CA

“Love the app integration for consumers and how it tracks their treatments.”

—Provider, Colorado Springs, CO

18 2,265
19 Total Syndeo systems placed
20 +108.3% sequential growth¹

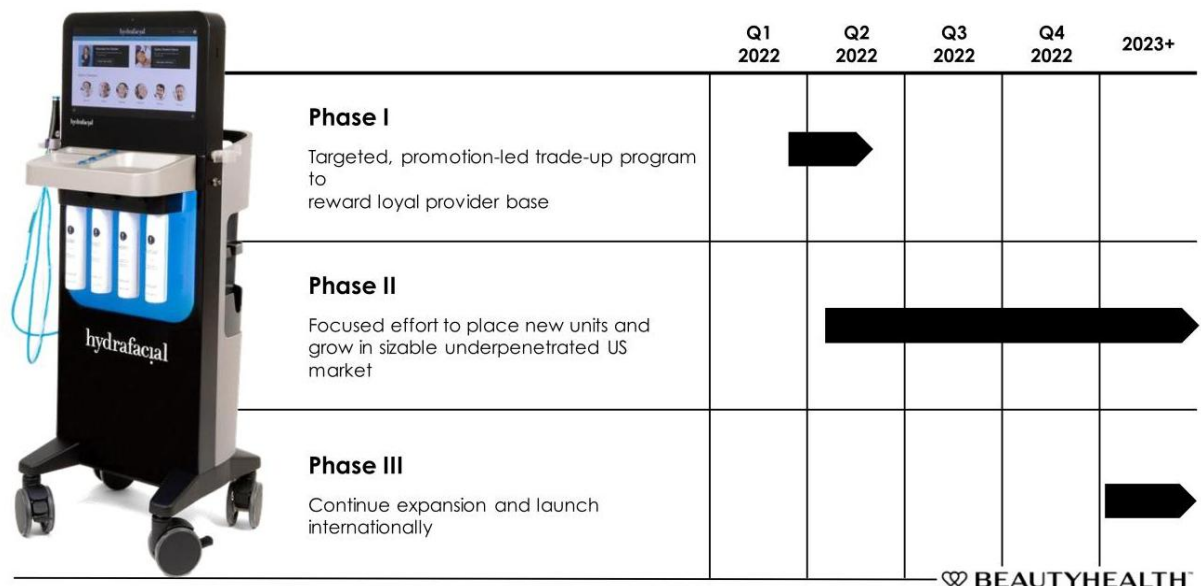
“It's sleek, it's a sexy design. It's quiet, so it makes the treatment room that much more relaxing for your client while giving that clinical grade treatment. I highly recommend it. Don't walk. Run.”

—Provider, Long Beach, CA

21 ¹ Q2 2022 Americas delivery systems sold vs Q1 2022 Americas delivery systems sold

BEAUTYHEALTH™

① ACCELERATING TOWARD PLANNED 2023 GLOBAL ROLL-OUT



9

134. Defendant Stanleick falsely stated that “[t]he first phase of our Syndeo rollout in the US was an astounding success. Syndeo is a giant leap forward in skin health technology. Our customers are raving about the connected system and user experience” and that “[t]he positive feedback we have with US customers underscores the remarkable opportunity we see globally with Syndeo,” which the Company would be rolling out in early 2023. Defendant Stanleick noted that “we remain laser focused on continuing the successful global rollout of Syndeo.”

135. During the question-and-answer session with analysts, Maggie Boye of William Blair asked Defendant Stanleick if he could provide further color on the Syndeo launch and what he has seeing in the field. Defendant Stanleick responded by assuring analysts that the customer feedback featured on the investor slide “has been very consistent [with what] we’re hearing,” including “really good feedback on” Syndeo’s “data connectivity, the improvements in user interface, the touch screen technology, the LightStim LED, et cetera”.

136. Later, an analyst at TD Cowen asked Stanleick about the progress of BeautyHealth’s beta testing progress of its new Glow & Go skin treatment. Stanleick

1 responded that while BeautyHealth was a while away from commercializing Glow &
2 Go, the Company would leverage the learnings and insight it had taken away from
3 Syndeo – “in terms it’s beautiful, it’s connected and it gives a great user experience.”

4 137. Similarly, an analyst at Canaccord asked Stanleick to expound “about the
5 overall interaction that you’re seeing with respect to the connectivity of Syndeo relative
6 to what you’re seeing on the consumer-facing apps.” Stanleick responded that
7 BeautyHealth was receiving “learning” “in real time” from BeautyHealth providers
8 which data the Company was collected. Stanleick explained, however, that he was not
9 sharing the data received yet since it was from early enthusiastic adopters and thus there
10 was bias in the data. Stanleick assured analysts that the Company would “share some of
11 the great and powerful learnings we’re getting” “in a quarter or two.”

12 138. Analysts were satisfied with Defendant Stanleick’s responses to their
13 inquiries regarding Syndeo. Canaccord wrote to its clients, stating “The next-generation
14 Syndeo launch is clearly hitting its stride as SKIN posted record revenues”.¹⁷ Piper
15 Sandler added, “The Syndeo launch is going well, with >1,200 trade-ups in Q2 and the
16 company on track to launch OUS (outside U.S.) early next year.”¹⁸ Goldman Sachs
17 exclaimed, “Just two quarters into Syndeo’s launch, and we may have already seen the
18 inflection in system placements we’ve been anticipating. We remain Buy rated.”¹⁹
19 Benchmark concluded, “We continue to be optimistic about the growth prospects for
20 the company, driven by the U.S. launch of the new HydraFacial delivery system,
21 Syndeo. Given the strong demand in the United States for Syndeo, the company is now
22
23

24 ¹⁷ “A lot to like here despite the macro inflationary environment; BUY,” Canaccord
25 Genuity Capital Markets (Aug. 9, 2022).

26 ¹⁸ “Momentum Strong, but Margin Worries Take Over; We’re Buyers into the
27 Weakness,” Piper Sandler (Aug. 9, 2022).

28 ¹⁹ “The Beauty Health Co. (SKIN): Syndeo Hits its Stride; 2Q First Look,” Goldman
Sachs Equity Research (Aug. 9, 2022).

1 planning to extend the launch to international markets beginning in 2023, which implies
2 sustainable sales growth for the company.”²⁰

3 **H. In fall 2022, the size and scope of issues with Syndeo is apparent to**
4 **Defendants.**

5 139. By July 2022, Defendants had decided to implement Syndeo 2.0 (¶¶123-
6 125). The production of new Syndeo 2.0 devices did not occur until approximately
7 September 2022 (¶126). Defendants’ efforts to fix existing Syndeo 1.0 units in the field
8 did not begin until October 2022 (*id.*).

9 140. The Syndeo 2.0 fix was surely needed. According to Stanleick, there was
10 “nothing . . . more important for the organization” than getting Syndeo “back on track.”
11 (¶112). But in the fall of 2022, Defendants knew Syndeo 1.0 devices continued to suffer
12 from a multitude of issues that resulted in numerous complaints and thousands of
13 returned devices.

14 **1. Syndeo issues were communicated to Stanleick and Woo through the**
15 **Management Review in September/October 2022.**

16 141. Stanleick and Woo were informed of Syndeo complaints through the
17 Company’s annual management review process conducted in September/October 2022.
18 As director of quality, FE-1 was responsible for preparing the management review
19 report and leading the management review meeting each year. “Management Review is
20 strictly a quality meeting to talk about the required performance requirements by the
21 FDA,” FE-1 explained. “Most companies do it annually.”

22 142. FE-1 participated in a management review once a year every
23 September/October where management discussed complaints regarding HydraFacial
24 products, including Syndeo. In connection with the management review process, a
25 management review report is prepared and disseminated around September or October
26

27 ²⁰ “The Beauty Health Company (SKIN): 2Q Beat & Raise; Syndeo Off To A Strong
28 Start; JLo Glow Ready To Go,” The Benchmark Company (Aug. 10, 2022).

1 of each year. According to FE-1, Syndeo was discussed during at least two management
2 reviews during FE-1's tenure with BeautyHealth, including at the September/October
3 2022 management review. FE-1 said Syndeo was also discussed the previous year at the
4 September/October 2021 management review "because Syndeo started as an R&D
5 project" in 2021.

6 143. FE-1 explained that the management review report "talks about the number
7 of complaints we've had and the number of what we call nonconformances: rejections
8 that we write up on the floor." FE-1 explained that the FDA required nonconformance
9 reports. "If you are performing inspections, and you find something that's out of
10 compliance or not meeting specifications, then you create a document that says it was –
11 a nonconformance report," FE-1 said. "You write up a document explaining what was
12 wrong with it, and then if it has a good disposition, whether it's getting it repaired, or
13 you letting it go, because you have justification, why you can do that, or you're
14 scrapping the material or equipment, and so forth."

15 144. The management review report included the number of complaints
16 categorized by problem type. At the management review meetings, the issues were then
17 addressed more candidly than at the quarterly town hall meetings, according to FE-1.
18 At the September/October 2022 management review meeting, "We did represent that
19 we had, let's say, 1,000 complaints, and here's what the breakdown was," FE-1 said.
20 "The breakdown would have been cosmetic was 30%, flow issues were 20%—there
21 was definitely a part of what we presented that would show those."

22 145. FE-1 said there was an attendance roster and everyone who attended signed
23 off. FE-1 said CEO Stanleick and CFO Woo attended the management reviews. Other
24 senior executive attendees included the Chief Marketing, Digital & Customer
25 Experience Officer and BeautyHealth's general counsel, according to FE-1.

26 146. FE-1 said that after completion of the management review, the
27 management review materials were readily accessible to BeautyHealth executives. FE-
28 1 said HydraFacial used "Master Control" as its quality management system (QMS).

1 The program was a validated software that was green-lit for use in the medical device
2 industry. Via Master Control, “[y]ou could request management review and meeting
3 minutes,” FE-1 said. “It’ll explain who was there and have all the slides that were
4 presented and then any kind of decisions that were made during that meeting.”

5 **2. In September/October 2022, the Company hid broken Syndeo**
6 **machines from Quality Auditors performing audit**

7 147. By fall 2022, the number of returned Syndeo systems began to pile up at
8 HydraFacial’s Long Beach warehouse. FE-1 said by this time the Company was having
9 to store 2,000 – 3,000 returned Syndeo machines. Around September or October of
10 2022, The HydraFacial Company moved the returned Syndeo machines out of its
11 warehouse in advance of a quality management audit conducted by BSI, a private
12 company working on behalf of regulatory bodies. BSI conducted the audit at the
13 HydraFacial’s Long Beach manufacturing facilities in September or October of 2022.
14 BSI was responsible for issuing The HydraFacial Company ISO (International
15 Organization for Standardization) certification.²¹ “HydraFacial is in 92, 93 countries,”
16 FE-1 said. “A lot of those countries depend on that certification.”

17 148. “We had them (the returned Syndeo machines) all over the building,” FE-
18 1 said. FE-1 said the Company “rented some space in the building next door from a
19 neighbor to store these things so people wouldn’t see them.” Specifically, the
20 HydraFacial Company had rented an adjacent unit at an address right behind the
21 manufacturing facility. BSI did not have access to that adjacent unit for its
22 September/October 2022 audit, and according to FE-1 The HydraFacial Company chose
23 to move many units there for that reason.

24 149. While it was apparent that The HydraFacial Company was intentionally
25 hiding the returned units from BSI, FE-1 said, “the official word on it was that we were

26 ²¹ An ISO quality management certification is a seal of approval from a third-party
27 body that a company runs to one of the international standards developed and published
28 by the International Organization for Standardization.

1 running out of space in the warehouse and we needed to find more space, so we moved
2 those rejected units, or customer returns over to the other facility”. FE-1 confirmed that
3 the real reason for the move was to hide the machines from BSI.

4 150. When asked why the discovery of the returned units would have impacted
5 the outcome of the BSI quality audit, FE-1 responded, “Because it was a mess.” “They
6 weren’t identified with the right documentation.” FE-1 said that with medical devices,
7 you need to make sure there is a clear delineation between good and bad products. The
8 broken Syndeos were “just on the bottom row of racks and just kind of taped off and
9 didn’t have proper identification for most of them,” FE-1 said. “It just looked a mess.”

10 151. FE-1 said that Woo saw the disorganized state in which BeautyHealth
11 maintained the returned Syndeos. FE-1 said that Woo walked the Long Beach
12 warehouse floor a half dozen times.

13 **I. September 15, 2022 Investor Day: Defendants claim Syndeo’s launch has**
14 **been “next level”**

15 152. By September 2022, Stanleick had already identified “getting [Syndeo]
16 back on track” as the Company’s “#1 priority” (¶112). By this time, Defendants had
17 also approved the Syndeo 2.0 fix after internal deliberations. The purported fix,
18 however, had not yet reached any broad circulation among customers and Defendants
19 had no apparent evidence from actual customer use to determine whether Syndeo 2.0
20 resolved the issues plaguing Syndeo 1.0 (¶126).

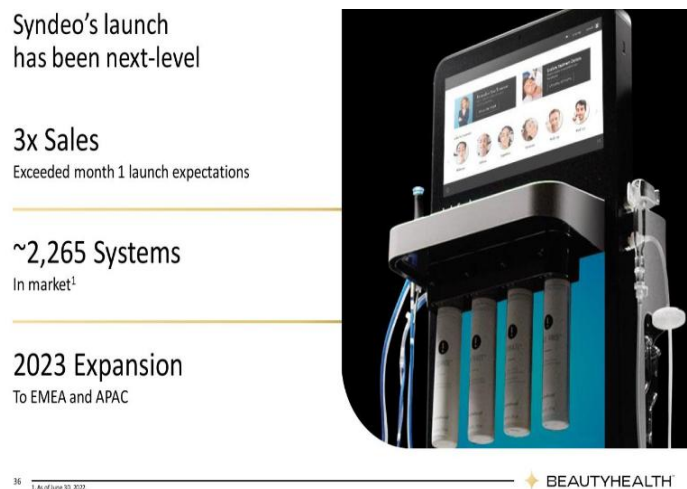
21 153. Through the annual management review, which took place as early as
22 September 2022, Stanleick and Woo were told that the Company had received a
23 significant amount of complaints about the Syndeo’s cosmetic and functionality issues
24 (¶¶141-146). These issues led to customers returning the Syndeos en masse. By
25 September/October 2022, as many as 3,000 devices were returned, and the Company
26 needed to rent a separate warehouse to help store them (¶¶147-151).

27 154. Nevertheless, despite expressed concern about the readily apparent issues
28 with Syndeo 1.0 and uncertainty regarding the Syndeo 2.0 fix, Defendants continued to

1 tout the Syndeo program as a success to investors. On September 15, 2022,
2 BeautyHealth hosted an Investor Day meeting with analysts in New York to discuss the
3 BeautyHealth business model, addressable market, financial performance, strategy, and
4 future growth plans. In advance of the Investor Day conference, management issued a
5 press release announcing its first formal Long Range Planning (LRP) since going public
6 in May 2021, projecting sales to double and for EBITDA to at least triple by fiscal year
7 2025.

8 155. The press releases explained that at the Investor Day Conference, further
9 insight would be shared on BeautyHealth's "[p]rogress launching globally our next
10 generation, smart and connected delivery system, Syndeo, which is a massive leap
11 forward in skincare technology to deliver a new, better and different treatment than any
12 other product available."²²

13 156. At the Investor Day, Defendants published a presentation, featuring a slide
14 representing that "Syndeo's launch has been next-level," 3X Sales – Exceeded month 1
15 launch expectations," and "~2,265 Systems In Market":²³



25 ²² See, "A Harbinger of Beauty Industry Resiliency, BeautyHealth Announces Three-
26 Year Plan to Double Sales, At Least Triple Profit," filed with the SEC on Form 8-K on
27 Sep. 14, 2022; see also, "BeautyHealth: Updates Ahead of the Analyst Day: First Look
at 2025 LRP Better than Previewed," J.P.Morgan Research (Sep. 14, 2022).

28 ²³ "BeautyHealth: Analyst & Investor Day," (Sep. 15, 2022).

157. The Investor Day Presentation contained another slide, touting Syndeo’s “elevated design,” “enhanced ease-of-use and intuitive operation,” and “connected experience”:



158. The presentation contained another slide claiming “Syndeo will pave the way to our connected platform” through “First of its kind delivery system,” “Ultimate in ease-of-use and intuitive operation” and “Data to optimize utilization”:



1 159. Defendants Woo, Stanleick, BeautyHealth’s Chairman of the Board of
2 Directors Brenton L. Saunders, and several other BeautyHealth senior executives
3 participated in the Investor Conference with analysts.²⁴ At no time did the Executives
4 Defendants or other BeautyHealth insiders indicate that the Syndeo rollout was not the
5 success it was previously represented to be, that it was plagued by cosmetic and
6 performance issues that had not been satisfactorily addressed and that these issues were
7 damaging the Company’s brand. Instead, at the conference, Stanleick stated that
8 “last March, we launched our latest delivery system, Syndeo. This next generation smart
9 delivery system represents a leap forward in beauty technology. It is new, better, and
10 different to anything else on the market, and it's taking our business to the next level.”
11 Stanleick called Syndeo “revolutionary,” and that “[f]irst month orders exceeded our
12 internal forecasts by nearly threefold and we continue to see an incredible enthusiasm
13 for Syndeo with orders for around 2,265 systems already placed.”

14 160. Stanleick claimed that the Syndeo is a “game-changing, innovative”
15 product that was “Co-created in direct collaboration with our valued aesthetician
16 partners” and that the Company had “transformed this flagship device to address many
17 of the critical asks they had for us.” Stanleick emphasized Syndeo’s “ease of operation,
18 design, and use for our aestheticians.”

19 161. The Chief Experience Officer, Benjamin Baum, noted the Company’s
20 “launch this year of Syndeo 1.0 is just the beginning,” and that the Company was
21 “already hard at work enhancing, improving and optimizing Syndeo in collaboration
22 with our early adopter providers.” But rather than reveal the Company’s attempt to
23 address cosmetic and flow issues, Baum characterized the upcoming improvements as
24

25 ²⁴ Other participants at the September 15, 2022 Investor Day conference included
26 Benjamin Baum (Chief Experience Officer), Jwala Karnik (Executive Vice President-
27 Global Strategy & Partnerships), Amy Juaristi (Head-Corporate Affairs), Daniel
28 Watson (Executive Vice President-Sales Americas), and Mingo Ku (President-North
Asia).

1 “software updates” and noted that “[f]uture releases will include additional features and
2 functionality, especially progress toward our connected ecosystem, tying together
3 provider, consumer, and HydraFacial through a redesigned app with greater
4 connectivity and data next year.”

5 162. Stanleick concluded, “We have a state-of-the-art, industry-leading flagship
6 device with Syndeo that is transforming the industry and setting new standards for what
7 an aesthetic experience should be.”

8 163. BeautyHealth’s statements about Syndeo were well received by the market.
9 BeautyHealth stock rose 7%, from a close price on September 14, 2022 of \$11.73 per
10 share to \$12.57 per share at the close of market on September 15, 2022.

11 164. Securities analysts were similarly encouraged about Syndeo
12 BeautyHealth’s prospects. For example, Raymond James raised its 2023 sales growth
13 targets from +20% to +22% and estimated EBITDA from \$75M to \$77M, “reflecting
14 the resiliency of SKIN’s customer in the current market environment as well as the
15 continued rollout of the Syndeo device.”²⁵ William Blair gave the BeautyHealth stock
16 an Outperform rating, writing to its clients: “Overall, we were encouraged by the long-
17 term outlook laid out at the investor day and believe that the long-term guidance of
18 doubling revenues and tripling profits by 2025 should be achievable and beatable. We
19 see a growing number of opportunities ahead of the company to help drive sustainable
20 growth, particularly with the recent Syndeo launch in the United States.”²⁶ And
21 Canaccord concluded, “We view Syndeo as the linchpin of growth for SKIN... Given
22 the magnitude of the Syndeo launch, with respect to the upgraded systems capabilities
23 as well as competitive advantages it drives for SKIN, we expect it is fair to view Syndeo
24

25 _____
26 ²⁵ “The Beauty Health Company (SKIN-NASDAQ): Inaugural Analyst Day Delivers
Robust Targets,” Raymond James (September 19, 2022).

27 ²⁶ “The Beauty Health Company: Here We Grow (and Glow) as Beauty Health Lays
28 Out Solid Long-Term Outlook at Investor Day,” William Blair (September 16, 2022).

1 as both a major new product launch and an aggressive upgrade cycle for
2 BeautyHealth.”²⁷

3 **J. BeautyHealth soon learns that the Syndeo 2.0 failed to cure the systemic**
4 **plugging issues in late October/November 2022**

5 165. After the Syndeo 2.0 launch, Syndeo 2.0 was treated as a success for a few
6 months, according to FE-1. While the 2.0 model corrected the clogging issue initially,
7 as time went on, the problem returned and the machines began plugging up again,
8 according to FE-1.

9 166. Syndeo plugging complaints reached critical mass around late
10 October/November 2022. FE-1 said, “We started hearing about problems somewhere
11 in late October or November 2022, that it didn’t fix the problem completely.”

12 167. In addition, Syndeo’s 2.0 design of creating a larger channel manifold
13 resulted in a new problem of wasting too much serum, according to FE-1. FE-1
14 explained that Syndeo 2.0 “customers were very upset that they wasted too much serum
15 because the internal channel was just too big.”

16 168. FE-1 explained that the fixes for Syndeo’s plugging issues that led to
17 Syndeo 2.0 were rushed and should have been implemented with greater care. “It was
18 to address a clogging — there was some software that was being written in to do what
19 they call an air purge,” FE-1 said. “And so you pulled the bottle, and it was supposed to
20 purge air.” Operations also made a few other small changes. “They rushed through it
21 very quickly, only listened to one person and believed them and went that route,” FE-1
22 said. “And then got us into another mess.”

23 169. When asked about the scope of the plugging problem with Syndeo 2.0, FE-
24 1 said, “This time, it was closer to 20% of customers who experienced issues — less
25 than 50% of the initial batch.”

27 ²⁷ “We see accelerating growth opportunities for SKIN,” Canaccord Genuity Capital
28 Markets (September 15, 2022).

1 170. According to FE-1, during his tenure up until May 2023, he did not recall
2 the Company halting sales of Syndeo 2.0 due to the plugging issue or recall pulling any
3 units off the shelf. Instead, FE-1 said, “It was even worse — we kept selling them.”

4 171. Rather, the Company’s response was to again attempt to make on-the-fly
5 fixes. “The response [to Syndeo 2.0’s issues] was ongoing engineering, trying to figure
6 out what it was, how to fix it,” FE-1 said. “Everything that happened took a long time
7 to get resolved because multiple parties were arguing about how things should be done.”
8 “They didn’t care what I said – anywhere we have elbows down where an orifice gets
9 smaller, you have the potential of clogging,” FE-1 said. “So, R&D’s recommendation
10 was to go look at all of that and fix it all at one time.” FE-1 explained, however, that by
11 that time the operations group had taken over R&D and participated in the Tiger Team
12 meetings.

13 **1. Syndeo 2.0 plugging issues were communicated to Woo through**
14 **reports from the regular Tiger Team meetings.**

15 172. Woo knew of the second wave of Syndeo problems and customer
16 complaints through the Tiger Team process. FE-1 said the same regular Tiger Team
17 continued to address the Syndeo 2.0 issues in regular meetings and follow up
18 communications. FE-1 said the Tiger Team continued to meet “[b]ecause there’s so
19 many issues happening” to the Syndeo 2.0 systems. “The front panels were falling out
20 and there was cosmetic issues that continued to happen.”

21 173. FE-1 said Woo was still involved with the Tiger Team and continued to
22 receive meeting minutes and action plans. The customer complaints about Syndeo 2.0
23 were addressed during the Tiger Team meetings. FE-1 was on most of the emails of
24 meeting minutes discussing the problems, which recipient list included Defendant Woo.

25 **2. Stanleick acknowledged Syndeo 2.0 issues at sales meetings and**
26 **quarterly calls.**

27 174. According to FE-5, Stanleick and other BeautyHealth executives would
28 acknowledge Syndeo 2.0 issues at sales meetings and quarterly calls. “They said how

1 they were going to fix it – new software updates and things of that nature,” FE-5
2 explained. “It was kind of ongoing because the technology and the device had to be
3 updated regularly, tweaking bugs and things like that so that a software update would
4 go out,” FE-5 said. FE-5 further described how “[a] lot of things were not working the
5 way that they said they were going to work when we sold the devices.”

6 **K. November 8, 2022: BeautyHealth reports Q3 2022 results and continues to**
7 **tout “solid demand for Syndeo.”**

8 175. Defendants were aware by late fall of 2022 that the Company had failed to
9 resolve the clogging issues with Syndeo 2.0, and that the Syndeo 2.0 had additional
10 problems including a flaw that resulted in the machines wasting excess serum. And
11 Defendants knew that the Company was continuing to receive thousands of complaints
12 from customers about these issues, and thousands of returned Syndeo devices were
13 languishing near the site of the Company’s Long Beach facility.

14 176. These facts, however, did not stop BeautyHealth from continuing to tout
15 Syndeo. On November 8, 2022, BeautyHealth issued a press release filed on Form 8-K
16 with the SEC, announcing its third quarter 2022 financial results. The Company reported
17 quarterly net sales of \$88.8M, up 30.3% year-over-year and represented that this
18 increase was “driven by strength in Delivery System net sales.” The release further
19 stated that “Net sales in the Americas region increased to \$58.4 million in Q3 2022
20 compared to \$45 million in Q3 2021, driven by solid demand for Syndeo.” According
21 to the Company, it sold 1,860 delivery systems in the quarter at an average selling price
22 of \$25,947 and 6,447 for the nine-month period.

23 177. The press release quoted Defendant Stanleick: “On top line results that
24 again beat expectations and demonstrate continued strength in consumer demand, we
25 are pleased to raise our full year net sales guidance to \$360 million to \$365 million ...
26 Importantly, we remain confident in our ability to execute on our long-term business
27 plan discussed during our Investor Day.”
28

1 178. Analysts were optimistic following the press release. For example, Jeffries
2 noted that the Company's report of a 30% increase in U.S. net sales "reflects solid
3 demand for the new Syndeo system," and indicated that it would be listening for more
4 information on the Company's upcoming earnings call about the "order book for Syndeo
5 systems & any change in demand, trade-ins, financing requests," at the upcoming
6 earnings call.²⁸

7 179. On November 8, 2022, Defendants Stanleick and Woo hosted
8 BeautyHealth's Q3 2022 Earnings Call. In his opening remarks on the November 8,
9 2022 Q3 2022 earnings call, Defendant Stanleick reported that the Company "saw a
10 positive momentum in both delivery system and consumable sales, producing net sales
11 of \$88.8 million, up 30% year-over-year, one of our strongest quarters on record."

12 180. Defendant Woo reiterated, "In America, we grew 30% year-over-year,
13 driven by the continued success of Syndeo placements," and added that the Company
14 "reported adjusted EBITDA of \$16.5 million for the third quarter, which was driven by
15 strong demand for Syndeo in the US."

16 181. During the question-and-answer session with analysts, when asked for
17 guidance on the Company's expectations for future growth, Defendant Stanleick stated,
18 "the US another tremendous quarter plus 37% – 30% strength of the consumer strength,
19 continued strength of Syndeo, which gives us a lot of confidence. We're seeing
20 absolutely no slowdown."

21 182. Similarly, Korinne Wolfmeyer of Piper Sandler asked for further
22 explanation "about the cadence of delivery system sales that you saw throughout the
23 quarter." Stanleick responded, "We've seen actually consistent demand across the
24 quarter in all regions, actually. Of course, APAC was, of course, impacted by the
25 opening and closing and opening and closing in China. But across that, we've seen very
26

27 ²⁸ "Initial Take: Q3 Beat; FY Sales Guide Raised, EBITDA lowered," Jeffries Equity
28 Research (November 8, 2022).

1 robust demand, no slowdown. And of course, in the US, we continued with the rollout
2 of Syndeo very strongly and prepare for our international launch of Syndeo in overseas
3 markets in the H1 of 2023.” And Defendant Woo echoed that sentiment, stating
4 “Obviously, we haven’t seen a slowdown, as Andrew mentioned, in the US market.
5 We’re very encouraged as we continue to visit our providers and the sentiment seems
6 to be strong.”

7 183. When asked about the Company’s long-term guidance, Stanleick assured
8 analysts that, “long-term plan remains firmly on track. And I think it’s important to note
9 our revised EBITDA guidance does not reflect a demand or profitability problem.
10 Rather, guidance reflects just the potential of temporary macro pressures, blunting our
11 operating leverage. And as we said, we remain really cautiously optimistic about our
12 ability to achieve \$50 million EBITDA guidance this year.”

13 184. Later, Kyle Rose of Canaccord asked for an update on the Company’s
14 progress in leveraging data gathered through the “connectivity aspect” of Syndeo. But,
15 as he had during the previous quarter earnings call, Stanleick stated that the Company
16 was “gathering a huge amount of data” and “learning a lot,” but again declined to share
17 any specific details due to “an inherent bias” in the data. However, Stanleick did take
18 the opportunity to provide his general reassurance that, “*six months since the launch*
19 *of Syndeo, and we couldn’t be happier with the rollout.*”

20 185. Analysts continued to respond positively following the Company’s Q3
21 2022 earnings call. Canaccord wrote to its clients: “The next-generation Syndeo launch
22 is clearly hitting its stride as SKIN posted its second highest revenues on record.”²⁹
23 Benchmark added, “The BeautyHealth Company beat 3Q estimates and raised revenue
24 guidance for the remainder of 2022. We continue to be optimistic about the growth
25 prospects for the company, driven by the U.S. launch of the new Syndeo delivery
26

27 ²⁹ “Seeing a boost from Syndeo, but China and FX headwinds temper expectations;
28 BUY, \$20 PT ,” Canaccord Genuity Capital (Nov. 8, 2023).

1 system, the anticipated international launch next year, and a pipeline of new boosters
2 that can generate awareness and incremental profit for Hydrafacial.”³⁰

3 186. Following the positive Q3 2022 earnings report, Defendants Stanleick and
4 Woo attended the Stifel Healthcare Conference on November 15, 2022 during which
5 Defendant Stanleick reiterated the “very strong and positive feedback [] [w]e’ve seen []
6 obviously [with] the launch of Syndeo” and the “flawless launch of Syndeo, which
7 we’ve had so far.”

8 **L. Syndeo computer chip issues identified in late 2022/early 2023.**

9 187. In addition to the plugging issue, BeautyHealth learned in late 2022/early
10 2023 that one of its critical subcontractors, Premio, was using an unauthorized new
11 computer chip for Syndeo that caused the machines to not turn on, according to FE-1.
12 BeautyHealth discovered the chip issue in late 2022 to early 2023 — sometime in Q4
13 of 2022 or Q1 of 2023, according to FE-1.

14 188. The chip issue came to light when customers began complaining in late
15 2022/early 2023 that the machines were not turning on, according to FE-1. “The testing
16 that we did in-house was different from actually using it; it was just making sure that
17 you could reach the parameters, and we had a backdoor way of testing it,” FE-1 said.
18 “Compared to if you turn it on the normal way, as a customer would.”

19 189. BeautyHealth found that Premio had changed the chip, and the firmware
20 needed to be changed. The problem impacted a certain portion of Syndeo machines
21 produced and sold during a small time window. While according to FE-1 the chip issue
22 was not massive in terms of the number of outstanding Syndeo machines like the
23 plugging and cosmetic issues, the chip issue cost the Company a lot of money because
24 they had to hire people to go out into the field and fix the Syndeos. “We were able to
25 make the updates,” FE-1 said. But “[t]hat had to be done in person.” FE-1 said the
26

27 ³⁰ “The Beauty Health Company (SKIN): 3Q Beat & Raise; Raising Estimates,”
28 Benchmark (Nov. 9, 2022).

1 Syndeo chip issue was also emblematic of the control system failures at BeautyHealth
2 that a critical subcontractor Premio was changing the chips without BeautyHealth's
3 direction or knowledge.

4 **M. A Syndeo customer starts a Facebook group, which draws Stanleick's**
5 **attention.**

6 190. By February 2023, CW-1 had received four-to-five (4-5) replacement
7 Syndeo devices. Due to her frustrations with the malfunctioning devices, in February
8 2023, CW-1 started a Facebook group, "HydraFacial Syndeo Users." CW-1 wanted to
9 create a place where Syndeo users could work to troubleshoot issues.

10 191. The Facebook group was active from approximately February 2023 to
11 April 2023, according to CW-1. During that time, CW-1 said it grew to over 900
12 members. Group members posted about their experiences with Syndeo, which included
13 experiencing product waste as part of Syndeo malfunctions:



Screenshot of March 15, 2023 post in “HydraFacial Syndeo Users” Facebook group.

192. Other discussions detailed how the Syndeo failed during procedures with customers. One group member described having to “cancel so many hydrafacials” due to the device malfunctioning:



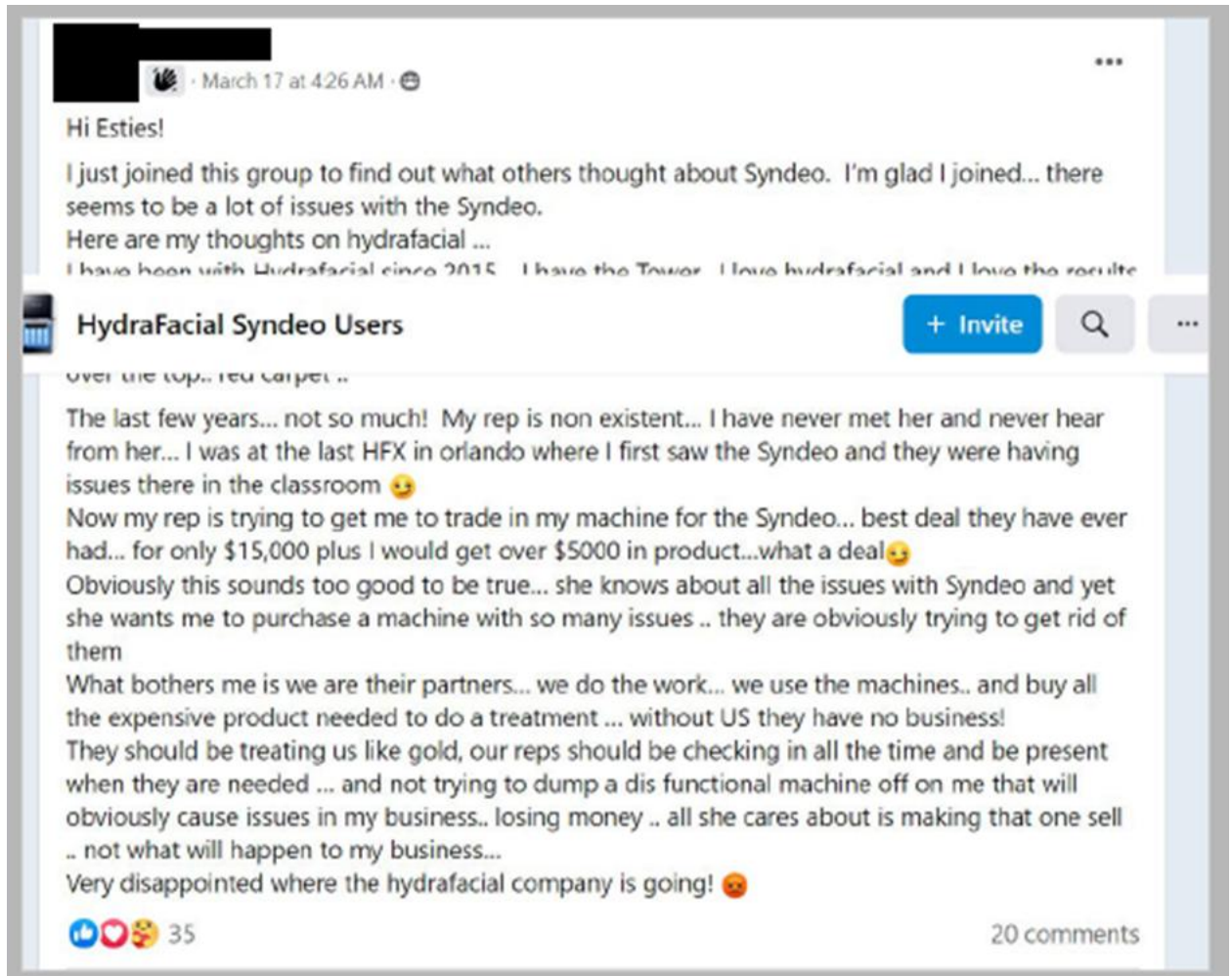
Screenshot of March 16, 2023 posts in “HydraFacial Syndeo Users” Facebook group.

193. Other group members had issues with devices even turning on, corroborating FE-1’s account regarding the use of an unauthorized chip by a subcontractor (¶¶187-189):



Screenshot of March 22, 2023 posts in “HydraFacial Syndeo Users” Facebook group.

194. Posts on the Facebook group demonstrate the damage to BeautyHealth’s reputation and brand caused by the Syndeo issues. One customer discussed how her HydraFacial representative was “non existent” after trying to “dump a dis functional [sic] machine off on me that will obviously cause issues in my business”:



17 **Screenshot of March 17, 2023 post in “HydraFacial Syndeo Users” Facebook group.**

18 195. Another customer in March 2023 expressed concern about using a Syndeo,
19 given “all the issues people are having” despite assurances from a sales representative
20 that any device “shipped after October 2022” was fine. In truth, the Syndeo 2.0 devices
21 were still riddled with issues, ultimately resulting in the Company declaring their
22 obsolescence in November 2023 (*see supra*, ¶¶165-174, 187-190); *infra*, ¶¶213-215,
23 222-224, 227-237, 263):

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Screenshot of March 11, 2023 posts in “HydraFacial Syndeo Users” Facebook group.

196. Stanleick, whether actively monitoring or eventually alerted, could not ignore the escalating negative feedback circulating in the Facebook group. CW-1 says that she spoke with Stanleick over the phone on two occasions. Prior to the first call on February 10, 2023, CW-1 said that a HydraFacial representative reached out to her and said that Stanleick wished to speak with her. CW-1 said the first conversation with

1 Stanleick was “heated.” CW-1 gave a description of the various issues plaguing the
2 Syndeo, including the device turning off and the device not suctioning properly or not
3 drawing solution. Stanleick claimed to CW-1 that he had not heard of any of those
4 issues, but also said they were not common and blamed them on poor training of device
5 users. CW-1 responded that if Stanleick was not aware of these issues, then he had
6 bigger problems. Stanleick also offered to buy back her Syndeo during the call, which
7 CW-1 refused. By the end of the call, Stanleick said he would circle back in a few weeks,
8 and if CW-1 had any issues with service or the Syndeo, she should reach out to him
9 directly.

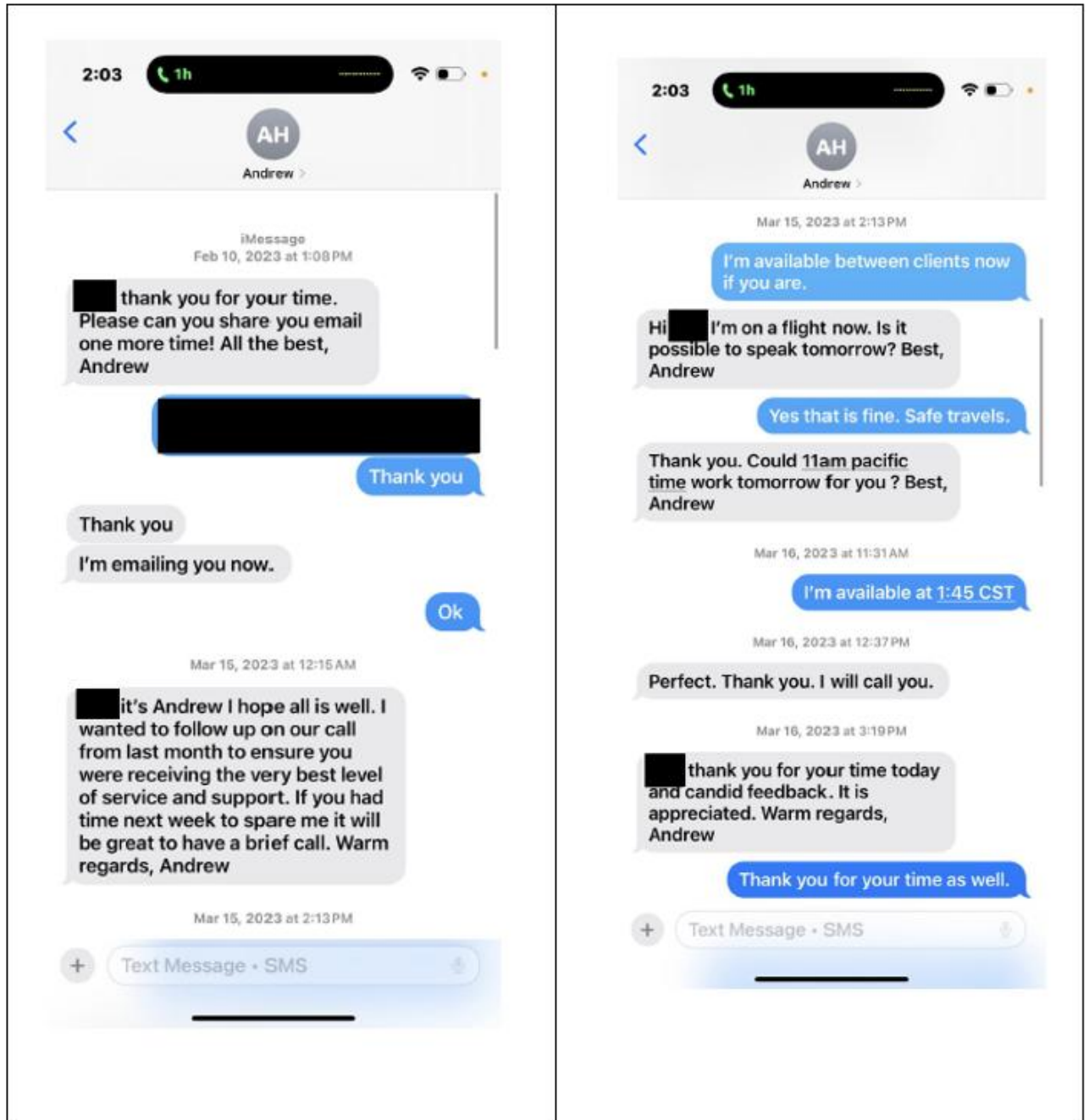
10 197. CW-1’s second call with Stanleick took place on March 16, 2023, at
11 Stanleick’s request. CW-1 again described the call as “heated.” CW-1 accused Stanleick
12 of lying when he said that he was not aware of the Syndeo issues. CW-1 urged Stanleick
13 to have the Company stop selling defective devices to customers who could not afford
14 to make payments on them. Stanleick again offered to buy back CW-1’s device so they
15 could “end as friends,” which CW-1 rejected. CW-1 said she wanted the Company to
16 be honest about the Syndeo issues and help people with the defective devices. Stanleick
17 also told CW-1 that the Syndeo issues had been discussed in public meetings with
18 investors. But counsel’s review of Defendants’ public statements through April 2023
19 did not identify any instances where the Company specifically alerted investors about
20 the device malfunction issues. *See infra*, ¶¶282-340.

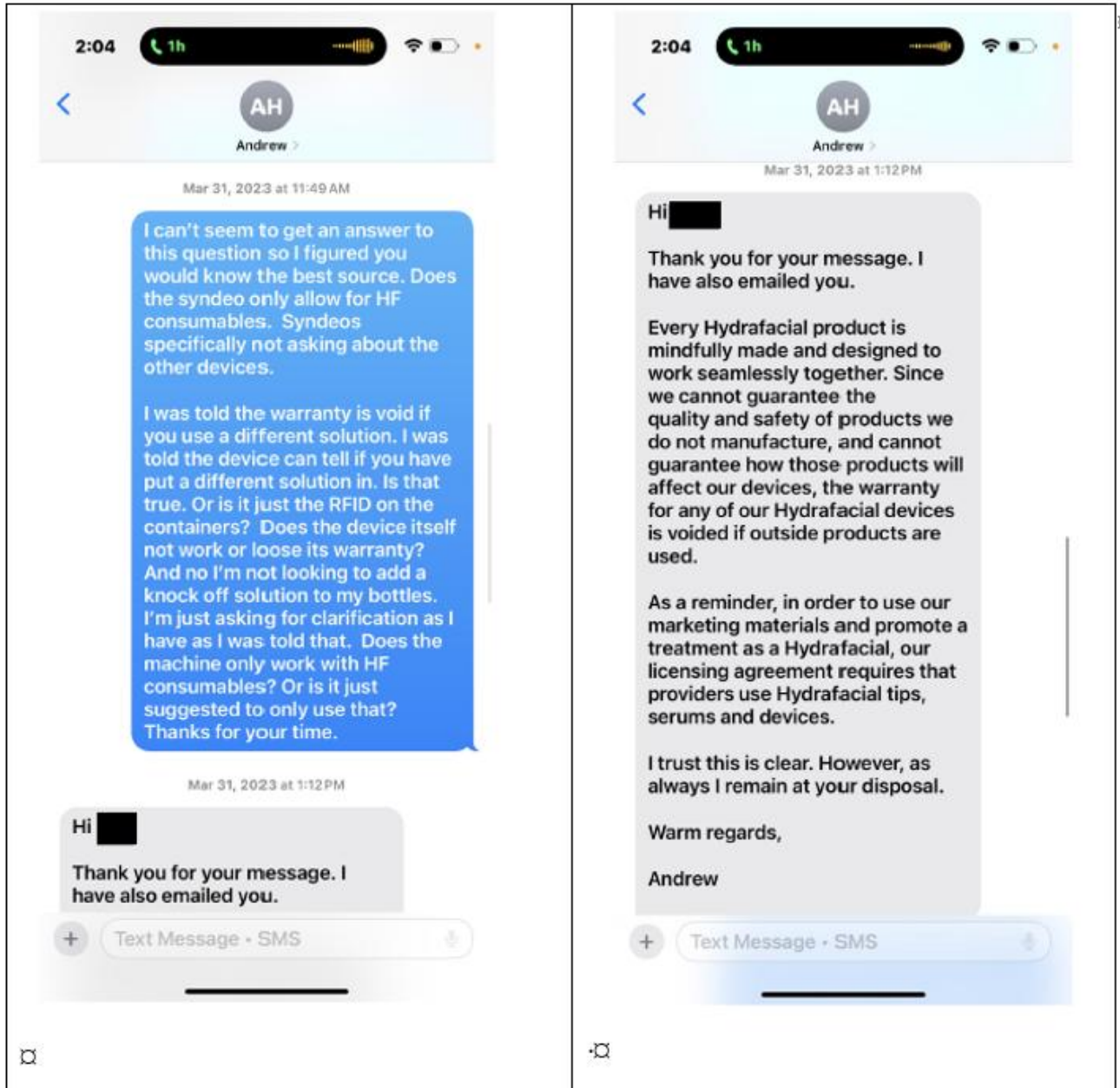
21 198. During the March 16, 2023 call, Stanleick asked whether CW-1 was going
22 to take down the Facebook group and suggested that she do so. CW-1 responded that
23 she would not take down the Facebook group until the Company was honest about the
24 issues with the Syndeo. Stanleick also asked whether CW-1 was working for a
25 competitor during this call.

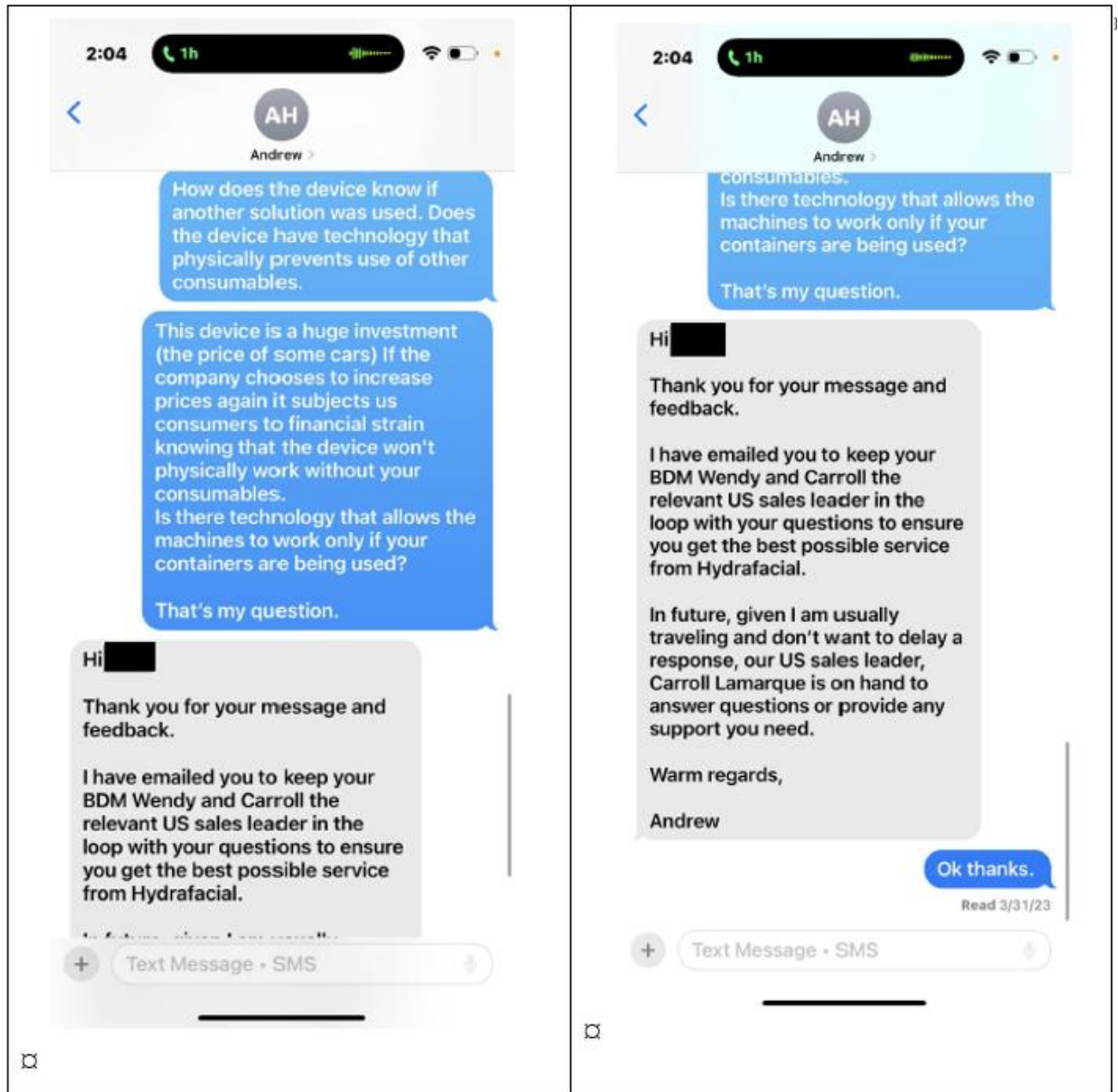
26 199. Then on March 31, 2023, CW-1 texted Stanleick and asked him whether
27 the Syndeo “only allow[ed] for [HydraFacial] consumables.” CW-1 said she was told
28 that “the warranty is void if you use a different solution” and that “the device can tell if

1 you have put a different solution in.” Stanleick responded that “the warranty for any of
2 our Hydrafacial devices is voided if outside products are used,” but did not state whether
3 the Syndeo could only use HydraFacial consumables. CW-1 followed up and asked
4 directly whether “the device ha[s] technology that physically prevents use of other
5 consumables,” and expressed concern that, in light of the Syndeo’s high cost, “[i]f the
6 company chooses to increase prices again it subjects us consumers to financial strain
7 knowing that the device won’t physically work without your consumables.” Stanleick
8 thanked CW-1 for the “message and feedback,” said he emailed her to “keep your BDM
9 Wendy and Carroll [Lamarque] the relevant US sales leader in the loop with your
10 questions to ensure you get the best possible service,” and explained that since he was
11 “usually traveling and don’t want to delay a response,” Mr. Lamarque would be “on
12 hand to answer questions or provide any support your need.”

13 200. The following text messages between CW-1 and Stanleick corroborate
14 CW-1’s account of participating in two separate calls with Stanleick in February and
15 March 2023:
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201. CW-1 said her group was removed by Facebook in April 2023. The given reason for removal by Facebook was trademark infringement because CW-1 used the word “HydraFacial” in the group name. CW-1 believes Stanleick and the Company were behind the removal of the group because other Facebook groups used the “HydraFacial” name without issue. CW-1 was also banned from HydraFacial’s official Facebook page after posting about Syndeo issues. CW-1 was sent screenshots of what

1 was said after she was removed, mainly that the Company takes pride in people speaking
2 about their opinions but to maintain positivity, a user had to be removed from the group.

3 **N. February 27-28, 2023: Defendants vaguely reference Syndeo replacement**
4 **program on Q4 2022 earnings call, but mischaracterize it as a “one-time**
5 **program” and assure analysts they have optimized Syndeo in preparation**
6 **for international launch.**

7 202. Defendants were thus aware by the beginning of 2023 about numerous
8 systemic issues with Syndeo and knew that several thousand faulty machines had been
9 returned. Stanleick had even begun communicating with a Syndeo customer who had
10 gone through four to five replacements. Yet, despite this knowledge, Defendants
11 continued to characterize the launch of Syndeo as successful and represent that Syndeo
12 had been well-received by consumers.

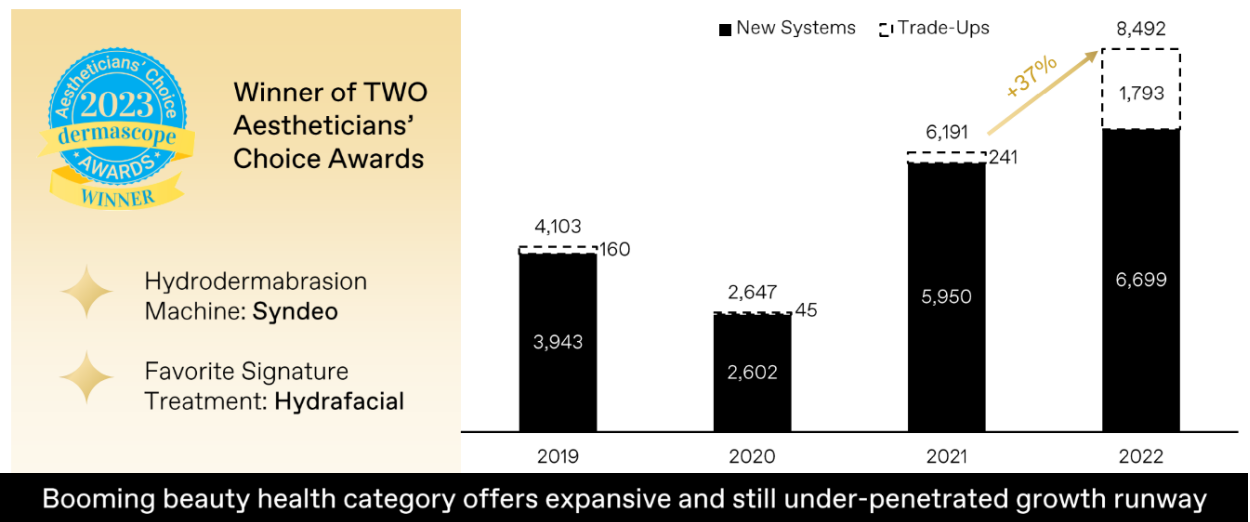
13 203. On February 27, 2023, after close of market, the Company announced its
14 full year and fourth quarter 2022 financial results in a press release filed on Form 8-K
15 with the SEC, reporting that “full year 2022 net sales of \$365.9 million increased +41%
16 relative to 2021, and fourth quarter net sales of \$98.1 million increased +26%.” In the
17 press release, Stanleick stated, “I am proud of the significant progress our team made
18 this year. We achieved strong annual sales growth, launched Hydrafacial Syndeo, our
19 innovative next generation delivery system, and continued to build the world’s premiere
20 skincare booster portfolio. . . As planned, we are now turning our focus to driving
21 profitable growth and flawlessly executing our international Syndeo launch in the
22 second quarter.” In summarizing the fourth quarter, the press releases vaguely
23 referenced an expense of “\$2.4 million in non-recurring Syndeo initial program logistics
24 and services costs.”

204. Analysts’ initial take was that the Company had posted a “solid” Q4 2022 and looked forward to management’s discussion of the “Order book for Syndeo systems & any change in demand, trade-ins, financing requests.”³¹

205. On February 28, 2023, Defendants Stanleick and Woo hosted the Company’s Q4 2022 Earnings Call. During the call, Defendant Stanleick touted Syndeo as “the biggest product innovation in our company’s history.” Stanleick explained, “We will launch Syndeo internationally in the second quarter of 2023. We have taken lessons learned from a *highly successful US launch* last year and look forward to growing Syndeo’s soon to be global footprint.”

206. Defendants Stanleick and Woo published an investor presentation with slides touting Hydrafacial and Syndeo as aestheticians’ “favorite treatment and device.”

Achieved another year of record delivery system sales and recognition as estis’ favorite treatment & device



8 BEAUTYHEALTH™

207. Stanleick added that in 2022, the Company had delivered a record 8,492 HydraFacial systems globally, which includes 1,793 trade-up units to Syndeo, which he

³¹ “Beauty Health: Initial Take: Q4 Solid, FY23 Guide Above Street; M&A Added to Portfolio,” Jeffries Research (Feb. 28, 2023); *see also*, “SKIN | Solid Q4 and FY23 Outlook; Announces Acquisition,” Raymond James (Feb. 28, 2023).

1 claimed highlighted “consumer and provider resiliency and increasing demand globally
2 for our products.”

3 208. Later during the call, Woo vaguely acknowledged incurring a \$2.4 million
4 charge in carrying out a program to replace all Syndeo systems regardless of issue until
5 October 2022 with the first generation Syndeo models, but downplayed the situation as
6 a common occurrence with new product releases, characterized the cost and return
7 policy as a “one time program,” and claimed that they had “optimized Syndeo in
8 preparation for our international launch in second quarter of 2023.”

9 209. During the question-and-answer session with analysts, Linda Bolton
10 Weiser of D.A. Davidson asked what the Company had learned in the first year since
11 the launch from data collected through Syndeo’s connectivity function. Stanleick stated
12 that “we’re learning how to improve the system and the software, and we’re always
13 iterating and learning and improving the system based on provider feedback, based on
14 what we’re learning of that data,” but he declined to provide any specific information
15 about what the Company had learned about Syndeo or what improvements it was
16 working on, stating instead “I think in the coming quarters, we’ll share more insights
17 with you on what we’re learning.”

18 210. Analysts continued to be optimistic, taking away from the earnings call that
19 “Syndeo Launch On Track.”³² The market also reacted positively to the Company’s full
20 year and fourth Quarter 2022 financial results, as BeautyHealth stock jumped over 11%,
21 from a closing price of \$11.32 per share on February 27, 2023 to \$12.61 per share at the
22 close of market on February 28, 2023.

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27 ³² “Model Update: FY23 Guide Above Street; Demand Resilient, Syndeo Launch On
28 Track,” Jeffries Research (Feb. 28, 2023).

O. March 30, 2023: In announcing Syndeo international launch, Defendants claim “Syndeo has been embraced by Hydrafacial customer and provider community in the U.S.”

211. On March 30, 2023 BeautyHealth announced the international launch of Syndeo in Europe and Asia in a press release which stated in relevant part, “Syndeo has been embraced by Hydrafacial’s consumer and provider community in the U.S., where sales exceeded expectations by three times within the first month after launch. Momentum has continued, with more than 3,000 systems sold in 2022.”³³ In the press release, Defendant Stanleick states, “We are incredibly excited to introduce our international Hydrafacial community to Syndeo. It is a true revolution of the treatment room”. The press release add, “With its upgraded connected functionality and elegant design, Syndeo remains true to Hydrafacial’s proprietary treatment experience, delivered through its patented vortex fusion and “magic wand.”

212. Analysts again took note of these continued representations about the existing demand for Syndeo as they planned ahead of BeautyHealth’s first quarter 2022 earnings release. Raymond James wrote, “We believe the two biggest focus points for investors will be the success of the Syndeo rollout internationally as well as consumer appetite for the HydraFacial service in a shakier macro environment. . . While there are always going to be risks on new launches in different geographic regions, mgmt has continued to provide the narrative that demand for Syndeo is strong globally.”³⁴

P. Syndeo’s systemic performance issues continue throughout the first half of 2023.

213. FE-2 confirmed that Syndeo’s systemic performance issues continued throughout 2023. Corroborative of the other Former Employees’ accounts, FE-2 learned of the Syndeo issues even before returning to HydraFacial in April 2023 because FE-2

³³ “Revolutionizing the Treatment Room: BeautyHealth Launches Connected Hydrafacial Syndeo Device in Europe and Asia,” Business Wire (Mar. 30, 2023).

³⁴ “The Beauty Health Company (SKIN-NASDAQ),” Raymond James (April 19, 2023).

1 was still in the industry. “I was hearing about it from a lot of my accounts that had the
2 new HydraFacial device,” FE-2 said. “I stayed really well connected with my team at
3 HydraFacial because I had planned on eventually going back over there, so they were
4 telling me about all the returns and the issues.” But when FE-2 rejoined BeautyHealth
5 in April 2023, FE-2 observed that Syndeo experienced issues modulating product use
6 and over-sucking serum.

7 214. FE-2 explained that the consumables used for each HydraFacial treatment
8 include serums, tips, and sometimes boosters. Immediately upon re-joining
9 BeautyHealth, FE-2 heard from clients that the Syndeo overconsumed serums, negating
10 the company’s value proposition. “With the serum selection, the device automatically
11 selected the serums, and there was a point where a lot of the serums weren’t working,”
12 FE-2 said. “And then they tried to upgrade the device, and now it’s oversucking serum.”

13 215. Syndeo’s over sucking of serum undermined the Company’s
14 representations about the product’s performance. FE-2 said HydraFacial told clients
15 they should get 15 treatments out of each bottle of serum. In practice, however, that was
16 rarely the case. At 15 treatments per bottle, each HydraFacial should cost \$34 to \$55,
17 depending on whether boosters for corrective treatments are used. However, most
18 customers were getting nowhere near 15 treatments out of each bottle, increasing the
19 customer’s cost substantially, according to FE-2. FE-2 said HydraFacial providers were
20 paying much more per treatment, significantly cutting their profit margin. FE-2 stated,
21 “A lot of practices have brought to their (BeautyHealth’s) attention that you’re actually
22 only getting five to six treatments out of each bottle,” FE-2 said. “That’s huge — they’re
23 losing a lot on their cost per treatment and their ROI.”

24 **Q. May 10, 2023: BeautyHealth reports 1Q 2023 results touting “strong**
25 **Syndeo traction.”**

26 216. Despite their awareness that the various issues with Syndeo, including the
27 serum over-sucking problem, persisted into the spring of 2023, Defendants continued
28 to represent that consumer demand for Syndeo was strong.

217. On May 10, 2023, BeautyHealth announced its first quarter 2023 financial results in a press release filed on Form 8-K with the SEC, announcing “net sales of \$86.3 million increased +14% year-over-year, continuing a trend of double-digit quarterly growth.” In turn, the Company raised its fiscal year 2023 net sales guidance to a range of \$460 to \$480 million due to continued strength in consumer demand, ***strong Syndeo traction globally***, and a reacceleration in China.” In the press release, Defendant Stanleick emphasized the “demand” and “excitement for the international launch of Syndeo.

218. On May 10, 2023, Defendants Stanleick and Woo hosted the Q1 2023 earnings call with analysts. On the call, Defendants published an investor presentation which touted increased year-over-year revenues “amidst strong Syndeo traction.”

Underlying consumer demand for Hydrafacial remains strong

Amidst strong Syndeo traction and China recovery, raising FY 2023 net sales guidance

Strong consumables revenue growth demonstrates continued healthy consumer demand



Americas: +34% Q1 2023 YoY

EMEA: +13% Q1 2023 YoY

APAC: (22)% Q1 2023 YoY

+35% adjusting for Q1 2022 Russia contribution

COVID-related impact January & February

Double-digit topline growth, continues quarterly trend



\$86.3mm Q1 2023 net sales
+14% growth YoY

\$(0.5)mm Q1 2023 adjusted EBITDA¹
(\$22.3mm GAAP net loss)

Raising FY23 net sales guidance and affirming FY23 EBITDA and long-range targets



\$460 – 480mm FY 2023 net sales

18 – 20% FY 2023 adj EBITDA margin

Re-affirming long-range 2025 net sales and adjusted EBITDA targets

5

¹ Non-GAAP measure; refer to the disclaimer for a discussion of the definition of this measure and appendix for reconciliation to the most appropriate GAAP measure.

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219. During the Company’s Q1 2023 earnings call on May 10, 2023 Defendant Stanleick emphasized “One year on from its debut, we have placed nearly 5,000 Syndeo systems across the world. We are very pleased with its uptake today and expect growth to continue as we execute on our international Syndeo launch and capitalize on broader sector tailwinds.”

1 220. Later, Defendant Woo spoke positively about the state of the Syndeo
2 program, repeatedly stating “Syndeo’s international launch performance to-date is
3 promising with strong traction across our launch markets,” and that the “the global
4 traction for Syndeo has been strong.”

5 221. Defendants’ positive statements about the Syndeo program were
6 convincing to investors. BeautyHealth shares rose 7% after the Company’s release of
7 first quarter 2023 earnings, from an opening price of \$10.00 per share on May 10, 2023
8 to a close price of \$10.69 per share on May 11, 2023.

9 **R. By May/June 2023, thousands of returned Syndeo devices remained stored**
10 **around the Company’s Long Beach facility.**

11 222. FE-1’s account of thousands of returned Syndeos by May 2023 further
12 corroborates the apparent nature of the systemic problems with Syndeo 2.0 and control
13 system failures. FE-1 stated, “the one number that I keep going back to is 5,000
14 machines during my tenure — there were more than 5,000 [returned], and when I left
15 (May 2023), we had only sold maybe 10,000 at the most.”

16 223. FE-6 further confirms the scope of returned Syndeos. Upon joining the
17 Company in June 2023, FE-6 was told “they had a large number of returned Syndeos”
18 stored in an additional warehouse the Company had leased next door to its own
19 production facility and warehouse in Long Beach. FE-6 also personally saw aisles of
20 returned Syndeos stored in racks in the warehouse. FE-6 also saw stacks of returned
21 Syndeos that blocked the dock doors in the receiving area of the production facility. FE-
22 6 said there were “1,000s” that were “stored in the warehouse and wherever they found
23 room.” FE-6 was “in shock” to see that “so many [Syndeo units were] returned by the
24 customers.”

25 224. FE-6 also said upon joining the Company in June 2023, the Company had
26 documented and recorded about 5,000 customer complaints. FE-6 said the majority of
27 the complaints were associated with Syndeo. FE-6 said these issues included problems
28

1 with the manifold that caused overflow or no flow. Other issues included those with the
2 Syndeo's software and the loud noise of the device (e.g., vibration).

3 **S. June 6, 2023: Defendants claim Syndeo program has been a "great**
4 **success."**

5 225. Despite the systemic issues plaguing the Syndeo, as evidenced by
6 thousands of returned devices languishing in Long Beach, on June 6, 2023, Defendants
7 Stanleick and Woo appeared at the TD Cown Sustainability Conference at which they
8 continued to portray the Syndeo program positively. At the conference, in response to
9 an analyst inquiry concerning the Syndeo program, Defendant Stanleick stated that "we
10 launched this new device, the new Hydrafacial system just over 12 months ago here in
11 the US. And it's been a great success."

12 226. In response to another inquiry, Stanleick emphasized its fundamental core
13 value of putting the customer first and its following of that mantra with its rollout of the
14 Syndeo system over the past year, stating "A key fundamental value of our company is
15 the customer is number one, really. And we are always, and we've got that with Syndeo,
16 always learning – testing and learning, improving the device. We launched Syndeo here
17 in the US a year ago. We've got a lot of learnings. We made improvements in the
18 software. So I think we're continuing to learn, enhance and improve the provider
19 experience."

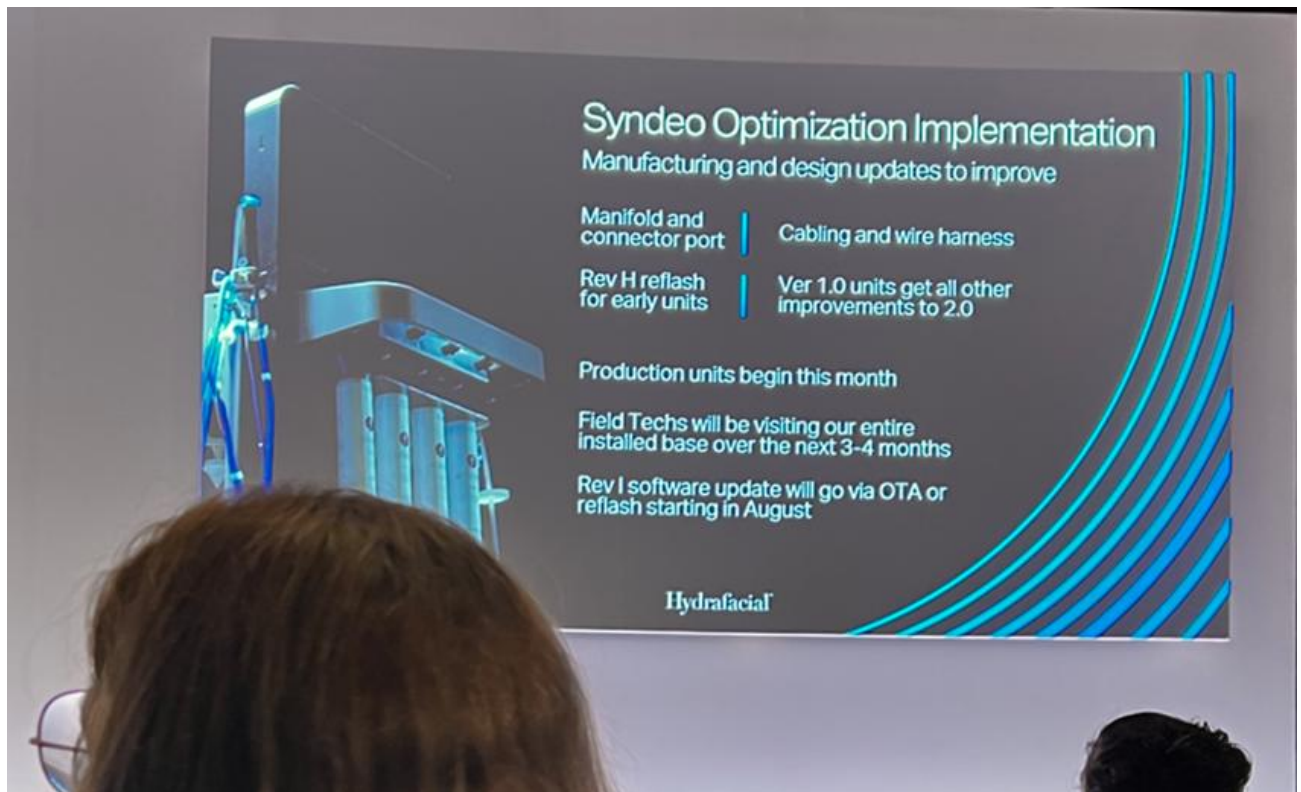
20 **T. BeautyHealth's second half 2023 attempted fix of Syndeo is a disaster.**

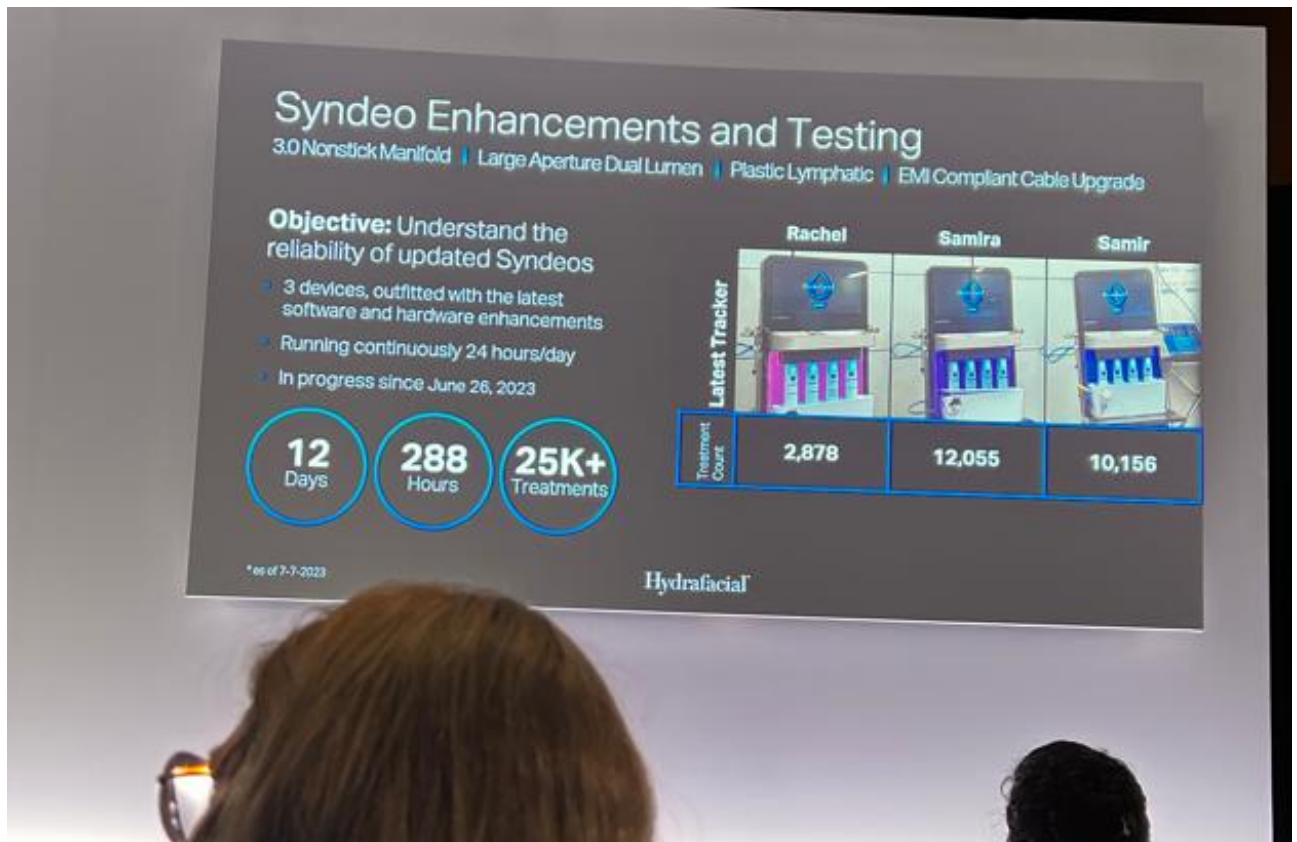
21 227. When FE-3 joined BeautyHealth, it was a company in turmoil. During FE-
22 3's hiring interview, FE-3 learned that the Company has had numerous issues with the
23 Syndeo products. The Syndeo product line was launched 12-16 months before FE-3
24 onboarded with BeautyHealth. The Company quickly learned that customers were
25 having issues with the products, but rather than recalling them, they continued to ship
26 new ones and determined they would attempt to fix the issues later. FE-3 said it was
27 shared among other sales directors that "Stanleick should have put a pause and recall on
28 the products, but they continued to ship new ones, which snowballed into a disaster. FE-

3 said Brad Hauser was brought onboard as the Chief Operating Officer to assess the issue and devise a solution. The issue was identified as a tube that was clogging in the manifold.

228. FE-3 said that the issue of the Syndeo tube clogging in the manifold was openly spoken about – prevalently. In particular, FE-3 attended the mid-year global sales meeting in July 2023 that was held at the Hilton Anatole Hotel in Dallas, TX during which the that the issue of the Syndeo tube clogging in the manifold was discussed. Senior BeautyHealth executives and officers, including CEO Stanleick, CFO Monaghan, EVP Carroll Lamarque, all the VPs, as well as the European group were present at that meeting. The meeting occurred in a large Hotel conference room and was led by Hauser and Stanleick, who were on the stage and presented the solution to swap out these manifolds.

229. The following pictures were provided by FE-3 and reflect the information shared during the July 2023 sales meeting:





1 230. FE-2 separately corroborated FE-3's recollection of the July 2023 mid-year
2 global sales meeting, which FE-2 attended along with other company salespeople from
3 all over the world. Consistent with FE-3's account, FE-2 remembered Stanleick
4 speaking about the Syndeo problems at the company's national sales meeting.

5 231. FE-3 said that during a later August 2023 Zoom company conference call
6 meeting, which was attended by the executives and VPs, it was announced that
7 BeautyHealth would hire two outside engineering firms, TDX and MERA, to deploy
8 upgrades to the Syndeo devices. CEO Stanleick led the zoom company conference call,
9 presenting and saying they had a great plan they were going to execute.

10 232. FE-3 said the plan was for Syndeo devices to be retrofitted with new
11 tubing. FE-3 said that BeautyHealth management would deploy field service engineers
12 to conduct repairs in the field, but if customers complained, BeautyHealth management
13 had customers fill out return merchandise authorizations (RMAs) for repairs and send
14 the devices in for repair.

15 233. FE-3 said the announcement from the August 2023 Zoom meeting was
16 passed down the chain to BeautyHealth employees verbally and via email
17 communications.

18 234. FE-3 said that conventional inventory tracking systems were not utilized
19 for the Syndeo machine returns. Instead, Syndeo machine returns were manually entered
20 into salesforce and documented on Excel and/or Google spreadsheets. These
21 spreadsheets contained information such as the accounts, location and status of the
22 devices, and the RMA#s which reflected how many times the product was returned for
23 repair. The devices were not assigned RFID chips or barcodes for inventory control.
24 Dozens of devices sat on a loading dock for months with no action taken. FE-3 also said
25 many customers did not receive their original devices, but refurbished devices instead
26 and they were not happy about that.

27 235. FE-3 said that the BeautyHealth management failed to establish quality
28 control procedures and most of the repaired devices that were sent back to customers

1 had failures immediately. They were not tested before they were sent back and there
2 were no stickers placed on the devices to indicate they were checked, according to FE-
3 3. FE-3 observed devices returned to customers being sent back in every day. FE-3
4 participated in discussions with salespeople who also observed the same thing. FE-3
5 recalled several specific accounts FE-3 observed these issues with including MB Beauty
6 Club, JW Marriott Camelback Inn, and Precision Cosmetics.

7 236. FE-3 said the engineers created a bigger mess, tearing everything apart and
8 not really fixing anything. The engineering firms were fired in November. FE-3 said
9 that as a result, “third and fourth quarter was a total disaster” for BeautyHealth.

10 237. FE-3 said the process was also a disaster for HydraFacial customers, as
11 they were extremely upset, and losing money and customers in their businesses. FE-3
12 said was so bad for customers that a HydraFacial Facebook group page was established,
13 which discussed the issues and complaints. HydraFacial Managers attempted to quell
14 Facebook complaints and issued large gift cards to those that had accounts and were
15 complaining.

16 **U. August 9, 2023 disclosures: BeautyHealth reveals Syndeo “teething issues”**
17 **in Q2 ’23 that limits the decline in share price.**

18 238. In light of the overwhelming issues with Syndeo, the Company had no
19 other option but to address the defective devices. In doing so, however, Defendants
20 continued to mislead investors by downplaying the issues, which allowed them to
21 maintain artificial inflation in BeautyHealth’s share price.

22 239. Specifically, on August 9, 2023, the Company issued a press release
23 reporting mixed second quarter 2023 results and outlook. While BeautyHealth reported
24 that 2Q 2023 sales (\$117.5 million) grew 13.5% year over year, the Company disclosed
25 that its non-GAAP adjusted gross margin was 64.8% in Q2 2023 compared to 71.0% in
26 Q2 2022, a staggering 620 basis point decline. In the press release, the company
27 explained, “Gross margin was impacted by an increase in sales of lower margin
28 refurbished systems, particularly in the U.S., and the sell-through of higher cost

1 inventory. . . Of note, the mix of delivery systems sold shifted towards lower-margin
2 refurbished devices amidst a tightening credit environment and as U.S. providers
3 awaited Syndeo enhancements in the third quarter of 2023 to improve the user
4 experience. This unfavorably impacted gross margin for the quarter.”

5 240. While the Company’s fiscal year outlook for sales of \$460-\$480 remained
6 unchanged, the outlook for gross margin, which was previously for expansion versus
7 2022, was rescinded due to the 2Q miss with cost pressures expected to continue in the
8 second half of the year, as the press release noted, “The Company retracted its 2023
9 fiscal year 2023 adjusted gross margin guidance due to Q2 margin headwinds carrying
10 into the back half of 2023.”

11 241. On the same day, the Company also issued a separate press release
12 announcing that Michael Monahan had been named Chief Financial Officer, effective
13 August 10, 2023, to succeed Defendant Woo. The Company characterized Woo’s
14 departure as an “involuntary separation without cause.”

15 242. Later, on August 9, 2023, the Company hosted a Q2 2023 earnings call
16 with analysts during which it published its Q2 BeautyHealth 2023 Earnings
17 Presentation. The presentation contained several slides identifying Syndeo as the driver
18 for the reduced gross margin in the quarter and as a gross margin headwind in the future.
19 However, the presentation repeatedly and misleadingly downplayed the problems with
20 Syndeo as mere “teething issues”:
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Q2 2023 performance takeaways

Re-committing to our core

1	Continued demand for Hydrafacial drives double-digit top-line growth	Net sales \$117.5mm +13% YoY Incl. trade-ups	+32% YoY Excl. trade-ups
2	Growing consumer engagement validated by consumables net sales growth and improving key marketing metrics	Consumables net sales/ YOY growth +34%	Aided brand awareness 41%
3	Strength in core international markets, especially China, despite macroeconomic headlines	China net sales YOY growth +265% Incl. trade-ups	+167% Excl. trade-ups
4	Opex leverage drives adjusted EBITDA performance, but Syndeo teething issues and unfavorable system mix shift create gross margin headwinds	\$3.4mm GAAP net income Q2 2023	\$17.8mm +22% YoY Adjusted EBITDA ¹ Q2 2023
5	Re-affirming 2023 net sales and 2025 long-range financial guidance on strengthened fundamentals; refining 2023 adjusted EBITDA margin to more precise range	\$460-480mm / 18-19% FY 2023	\$600-700mm / 25-30% FY 2025

⁵ 1. Non-GAAP measure; please refer to the appendix for a reconciliation to the appropriate GAAP measure.

BEAUTYHEALTH

Reflecting on key learnings

OPPORTUNITIES

Syndeo teething issues

Inadequate forecasting processes

Premature conversion of small distributor markets added unnecessary distraction

KEY ACTIONS

Syndeo enhancements identified and expected to be completed by early Q4 2023

New financial and operational leadership in place to drive forecasting discipline and improved systems

Plan to refine direct market roster; right size distributor relationships

7

BEAUTYHEALTH

243. On the August 9, 2023 earnings call, Defendant Stanleick delivered opening remarks about the quarter and specifically addressed the gross margin headwinds caused by Syndeo U.S. launch related impacts. Stanleick noted that were “some areas in which we can improve based on some key learnings” that he shared with analysts, beginning “first and foremost” with Syndeo:

This improvement starts first and foremost with resolving our Syndeo teething issues by the end of this year. Developed at speed during the pandemic, this high-tech delivery system, launched just 28 days into my tenure, brought Hydrafacial out

1 of the analog world and into the digital age, pushing the
2 category forward.

3 While Syndeo net sales since launch have been impressive,
4 we have experienced teething issues with this new
5 technology. You may recall we were quick to exchange
6 Syndeo devices at the company's expense, even for the
7 smallest issues. This intentional decision underscores our
8 unwavering commitment to best-in-class customer service.

9 While it led to incremental, unplanned costs which have
10 impacted us financially in the short-term, this action has
11 protected our relationship with our providers who are with
12 Hydrafacial for the long-term.

13 I'm pleased to say that we have greatly reduced system
14 exchanges. Today with the changes I initiated, we're equipped
15 to address issues with over-the-air software updates or in-
16 filled support and we have identified simple component
17 upgrades to enhance the system's durability. And we have
18 begun to replace these components in existing devices in the
19 field.

20 As we grow past these teething dynamics, I am confident our
21 newly strengthened product and software engineering teams
22 helmed by aesthetics industry veteran, Brad Hauser, who I
23 hired earlier this year, are well-equipped to deliver on our
24 vision for Syndeo.

25 244. Stanleick next identified the Company's forecasting process under the
26 leadership of Defendant Woo as another key learning and driver for the Company
27 missing its expected gross margin target:

28 Our next learning comes from our forecasting process. Put
simply, in this phase as a young public company, some of our
internal processes have not kept pace with the rapid growth
and expansion of our multi-geography business footprint.

Under the experienced leadership of our incoming CFO, we
plan to enhance our forecasting process, including investing
in unified global systems to further improve our predictive
analytics capabilities.

1 245. Finally, Stanleick noted that “value engineering projects that we expected
2 to expand gross margin have been delayed as we have instead dedicated resources to
3 manage Syndeo’s teething issues.” Stanleick concluded that “these [three] dynamics
4 have hampered our ability to meet our expected gross margin target for the year and we
5 are retracting our gross margin guidance for 2023.”

6 246. During the question-and-answer portion with analysts, an analyst with TD
7 Cowen asked Defendant Stanleick to provide further color on the “teething issues” with
8 Syndeo and how the teething issues caused gross margin headwinds. Regarding Syndeo,
9 Stanleick responded by misleadingly downplaying the teething issues as run of the mill
10 software and hardware challenges that arise with any new product, and assured the
11 market that the Company had sufficiently addressed them through software updates and
12 component upgrades. Stanleick had further addressed any customer dissatisfaction by
13 replacing the machine, and while the cost of replacing the machines had impacted gross
14 margin it was temporary:

15 So I’ll start with the Syndeo issue. So as you know, our vision
16 for Syndeo is that it's a connected platform and a Swiss Army
17 knife at the center of the providers’ treatment room. And when
18 we launched, it was a real leap forward. But I think as we’ve
19 talked before with any high-tech IoT product, especially those
first out of the gate, like the ones in the US, there was an
element of iterative improvement wanted in the real-world.

20 Though in part, part of the teething issues were software-
21 related. And part of the issue was user experience and
22 hardware. And I think as providers put Syndeo to work over
23 the course of last year, particularly in the US going through
24 hundreds of treatments, we observed opportunities to improve
the customer experience and overall performance and
reliability.

25 So push through new software updates, *which very*
26 *specifically was related to forcing rinse cycle, et cetera,*
27 *because we’re finding that some of the first generations had*
28 *some residue build-up and blockage and other ones were*
simply simple component upgrades.

1 This has mainly been a US teething issue because over the
2 course of last year, we've talked about it on previous calls, we
3 were able to make those amendments ahead of the
4 international launch. So we've been putting the customer first
5 and obviously invested as we've spoken before about
6 replacing every machine. If a customer calls in with a
7 problem, we're very fast to take the machine back and switch
8 it out.

9 But of course, that cost us money, which was unplanned. But
10 we felt that we must put the customer first. They're with us
11 for the long term, and that pays off. They appreciate that
12 support. So, we're putting the last of the sort of fixes in terms
13 of Q3 in the US, where we're making the amendments in
14 terms of in-field support, and that'll be completed by the end
15 of Q3.

16 247. With respect to the gross margin headwinds and how that impacted
17 guidance, Stanleick explained that the gross margin pressure in Q2 was partly caused
18 by Syndeo issues and a shift to lower-priced devices due to higher interest rates. But
19 Stanleick assured analysts that the company would be back to historic levels of gross
20 margin by the middle of next year:

21 In terms of your other questions, on gross margin, the pressure
22 we had in Q2 very specifically was just partially caused with
23 what I talked about, Syndeo issues in the US. I think we –
24 we're working with our providers. Some of them knew we're
25 about to do these in-market fixes during Q3. So there was a
26 partial degree of hold-back.

27 On the other part, with the higher interest rates in the US
28 particularly, we saw a degree of shift to lower priced devices,
like the Allegro or refurbished Syndeo device. So, that's what
caused the gross margin shift there. It's temporary. We are
aware of it. We have a fix in place. And we'll be back up to
historic levels of gross margin by the middle of next year.

And we do have a line of sight to our long-range targets. You
recall, last September, we presented our 500 basis points of
margin accretion over the next three years from September.

1 We have a line of sight there, because the China
2 manufacturing will flow through by the middle of next year
3 and the value engineering projects, which we presented, will
4 also bear fruit. We had put those on hold because we've really
5 dedicated our resources on addressing the Syndeo issues in
the US, which was the right thing to do. So, we're on track
there.

6 248. On August 9, 2023, The BeautyHealth Company filed its quarterly report
7 for the quarterly period ended June 30, 2023 with the SEC on Form 10-Q. Apart from
8 confirming the Q2 2023 results reported in the press release, the Company disclosed the
9 following to investors as "Known Trends or Uncertainties":

10 During the third quarter of 2023, the Company launched a
11 voluntary initiative to replacing certain componentry in
12 previously manufactured Syndeo delivery systems to increase
13 resistance to inadvertent clogging when recommended
14 maintenance is not performed. This initiative is expected to
result in approximately \$5 million in expense during the third
quarter.

15 249. Securities analysts found BeautyHealth's 2Q 2023 as raising "more
16 questions than answers." For example, analysts at Canaccord remarked, "After a
17 challenging Q1, SKIN delivered another quarter that generated more questions than
18 answers. For starters, SKIN called out concerning US dynamics such as a tightening
19 credit environment driving lower-margin refurbished sales and continued
20 enhancements/replacements of Syndeo systems in the field. These challenges have
21 weighed on GMs through the 1H, with SKIN suspending its GM guidance for FY/23
22 and pausing value engineering initiatives until these issues are sorted."³⁵ Analysts at
23
24
25
26

27 ³⁵ "Syndeo US headwinds getting under BeautyHealth's SKIN amidst strong OUS
28 growth," Canaccord Genuity - Capital Markets (Aug. 9, 2023).

1 J.P.Morgan similarly noted that the quarter “raises more questions than it answers.”³⁶
2 J.P.Morgan noted the short-term sales impact posed by Syndeo, explaining that while
3 Syndeo enhancements are expected to lead to a sales surge later, the rollout itself might
4 cause customers to delay purchases and opt for cheaper alternatives in the current tight
5 credit environment, thereby negatively affecting sales in the near term. J.P.Morgan also
6 emphasized the heavy marketing expenditures Syndeo would need to incur to restore its
7 brand, putting pressure on overall profitability. As a result, J.P.Morgan cut SKIN’s price
8 target by 20% from \$12.00 to \$10.00.

9 250. By disingenuously characterizing the significant Syndeo failures as minor
10 “teething issues,” Stanleick managed to forestall a massive sell-off, thereby artificially
11 sustaining BeautyHealth’s inflated stock value. The Company’s stock fell \$0.41, or
12 5.4%, from a close price of \$7.53 per share on August 8, 2023 to close at \$7.12 per share
13 on August 9, 2023.

14 251. Given the uncertainty presented by the BeautyHealth’s August 9, 2023
15 disclosures, investors eagerly awaited the Company’s Q3 2023 results for the three-
16 months ended September 30, 2023 expected to be released in mid-November. To bolster
17 confidence in the interim, the Company issued a flurry of press releases touting its
18 placement of its 30,000th Hydrafacial system and new partnerships with blue chip retail
19 brands. The Company also made regulatory filings revealing that Company insiders –
20 Board directors, CEO Stanleick, and new CFO Monahan – have been purchasing shares
21 at current market prices.

22 252. On September 12, 2023, the Company disclosed a two-phased business
23 transformation program focused on reducing \$35 million in costs over the next year and
24 aiming at driving growth and profitability starting in 2025. Along with the business
25

26
27 ³⁶ “BeautyHealth: A Beat That’s Not Quite Skin Deep, but One That Leaves Us With
28 More Questions As Well,” J.P.Morgan – North America Equity Research (Aug. 9,
2023).

1 transformation program, BeautyHealth also announced that the Company’s Board had
2 authorized BeautyHealth to repurchase up to \$100 million of its common stock.
3 Significantly, the Company re-affirmed its fiscal year 2025 financial guidance of
4 reaching \$600 to \$700 million in annual sales, seeing up to 500 basis points of gross
5 margin expansion versus FY 2021, and 25 to 30% adjusted EBITDA margin.

6 253. Securities analysts responded positively to the Company’s disclosures. In
7 a September 12, 2023 report, Canaccord remarked “We believe this news is very
8 positive as there have been concerns that SKIN may not be able to reach the numbers
9 after a slower-than-planned rollout of the new Syndeo systems. However, we believe
10 today’s announcement providing a clearer path to EBITDA goals coupled with recent
11 insider ownership purchases has signaled strong confidence in reaching their goals. . .
12 Additionally, recall management noted that Syndeo issues will be resolved by the end
13 of 3Q23. . . . We remain buyers and reiterate our \$10 price target.”³⁷

14 254. Investors reached the same conclusion, as the stock shot up 24% over the
15 course of a single trading day, from a close price on \$5.74 per share on September 11,
16 2023 to a close price of \$6.76 per share on September 12, 2023.

17 255. On September 20, 2023, just ten days before the close of 3Q 2023, the
18 Company issued a press release proclaiming that the Company would be initiating its
19 stock repurchase program on September 26, 2023. Management did not address existing
20 guidance in the September 2023 press release, the Company’s last before quarter close.

21 V. THE TRUTH ABOUT SYNDEO IS REVEALED

22 A. The November 13, 2023 disclosures fully reveal the fraud: CEO ousted, 23 BeautyHealth declares virtually all Syndeo systems obsolete.

24 256. On November 13, 2023, after market hours, BeautyHealth issued a press
25 release announcing its financial results for the third quarter of 2023. The Company

26
27 ³⁷ “Management provides new details and exudes confidence for their FY25 goals;
28 new \$100M share repo announced,” *Canaccord Genuity – Capital Markets* (Sep. 12, 2023).

1 disclosed that “[t]he quarter was overshadowed by lower-than-expected U.S. revenue
2 and \$63.1 million in restructuring charges related to device upgrades of early generation
3 Syndeo devices.” As a result, BeautyHealth reported that “[n]et sales were \$97.4 million
4 for the third quarter of 2023, an increase of 10% compared to the prior year period, with
5 strength in APAC and EMEA offset by challenges in the U.S.” and “[g]ross margin was
6 (12.9)% in Q3 2023 compared to 69.1% in Q3 2022 [due to the] \$63.1 million associated
7 with the Syndeo Program,” among other things.

8 257. The press release disclosed that BeautyHealth’s future was far less bright
9 than previously projected. Specifically, the Company revised its fiscal year 2023 net
10 sales guidance to a range of \$385 to \$400 million, from prior guidance of \$460 to \$480
11 million, “due to provider experience challenges with Syndeo creating lower than
12 expected demand for delivery systems in the U.S.” Defendants also revised the
13 Company’s fiscal year adjusted EBITDA margin guidance to a range of 5% to 6%, from
14 prior guidance of 18% to 19%. Moreover, the Company suspended its long-term 2025
15 financial outlook.

16 258. In the press release, the Company provided an update on the state of its
17 Syndeo program and its reasoning for the \$63.1 million restructuring charge. In
18 particular, the press release explained that the continued challenges with the Syndeo
19 system had led to management to declare all 1.0 and 2.0 Syndeo systems as obsolete.
20 Therefore, the Company will now only sell the newer 3.0 system. The Company will
21 also offer its existing clients with the 1.0 and 2.0 machines in the field to be replaced
22 with the newest 3.0 machine or upgraded to 3.0 standard with new parts and an extended
23 1-year warranty at no cost to the provider. The press release explained that the total cost
24 of the resetting of the Syndeo program was expected to be approximately \$63.1 million,
25 with \$18.8 million of inventory write-downs already occurring in 3Q 2023, another
26 \$12.3 million of cost related to upgrades that happened in 3Q 2023, and a final \$32.1
27 million cost to future upgrades or replacements in the field.
28

1 259. In addition to announcing 3Q 2023 results, BeautyHealth issued a separate
2 press release announced that its President & Chief Executive Officer, Defendant
3 Stanleick, would depart the Company and relinquish his Board seat, effective November
4 19, 2023. The Company announced that current Director Marla Beck will serve as
5 Interim Chief Executive Officer while the Company's Board of Directors completes a
6 formal search for a new CEO.

7 260. Later that same day, the Company held an earnings call with investors to
8 discuss its results for the third quarter fiscal year 2023. On that call, interim CEO, Marla
9 Beck acknowledged "that many mistakes were made with regard to Syndeo," and that
10 "[a] a result, we are taking some tough actions."

11 261. Newly appointed CFO Monahan followed up Beck's *mea culpa*, stating up
12 front "our recent financial performance is not acceptable" and "our recent performance
13 is largely a result of provider experience issues with Syndeo in the US." With respect to
14 the Syndeo Program, Monahan explained that the Company "incurred a \$63.1 million
15 restructuring charge this quarter due to Syndeo provider experience issues," and that as
16 a result of these challenges, there was a slowdown in US system placements that led to
17 lower-than-expected overall net sales growth."

18 262. Monahan provided stunning details on the Syndeo's performance issues
19 and the Company's extensive undisclosed efforts to address them:

20 To provide some background, Syndeo 1.0 launched in the US
21 in March of 2022. The launch was met with excitement and
22 swift provider adoption. However, after some time in the
23 field, some providers experienced frequent treatment
24 interruptions and issues such as distractive noises and difficult
25 bottle insertion. Most importantly, there was an issue with low
26 flow and clogs in the system. Simply put, Syndeo 1.0 did not
27 meet the high standards of user experience that Hydrafacial
28 has been known for over its 26-year history.

 Throughout 2022 and the first half of 2023, the company
made several enhancements to Syndeo to address and
remediate these issues, releasing Syndeo 2.0 into the field.

1 Despite these efforts, many of the issues continued to persist.
2 After rigorous testing and development, including simulating
3 over 10 years of heavy in-office use, we believe we have
4 addressed the Syndeo issues with our current Syndeo 3.0
standard implemented in July of this year.

5 We are very pleased with the real-world performance over the
6 four months Syndeo 3.0 has been in the field. Additionally,
7 Syndeo 3.0 devices coming off the production line and
8 existing Syndeos in the field that have been enhanced to the
Syndeo 3.0 standard have a return rate in line with
Hydrafacial's low historical benchmark.

9
10 263. Monahan then explained the management's decision to completely reset
the Syndeo program and its huge adverse financial implications:³⁸

11 To stand behind our commitment to our customers and protect
12 the company's brand reputation, we decided that with respect
13 to Syndeo devices, we will only market and sell Syndeo 3.0.
14 With this decision, we designated the approximately 4,300
15 Syndeo 1.0 and Syndeo 2.0 devices in inventory as obsolete,
16 resulting in an impairment charge of \$18.8 million.
17 Additionally, during the quarter, we incurred \$12.3 million in
costs associated with enhancing or replacing approximately
2,850 Syndeo 1.0 and Syndeo 2.0 devices in the field.

18 Lastly, we accrued incremental costs of approximately \$32.1
19 million to enhance or replace the roughly 4,500 Syndeo 1.0
20 and Syndeo 2.0 devices yet to be addressed in the field. This
21 decision was made after concluding it was too costly to
22 diagnose, repair and resell returned Syndeo 1.0 or 2.0 devices
in inventory. In addition, by replacing the systems or
enhancing currently functioning systems in the field, we are

23
24 ³⁸ See also, Beauty Health Q2 2023 Form 10-Q. These serious issues were
25 significantly downplayed on page 28 of the second quarter 10-Q: "During the third
26 quarter of 2023, the Company launched a voluntary initiative to replacing certain
27 componentry in previously manufactured Syndeo delivery systems to increase
28 resistance to inadvertent clogging when recommended maintenance is not performed.
This initiative is expected to result in approximately \$5 million in expense during the
third quarter.").

1 ensuring provider satisfaction and safeguarding our brand
2 equity. We will also extend all Syndeo warranties by one year
3 to further support our providers. We do not believe the
4 extended warranty will have a material impact on our
financial statements.

5 264. After summarizing BeautyHealth's previously reported quarterly results
6 and balance sheet, Monahan avoided addressing the anticipated uproar from analysts in
7 public view by abruptly concluding the conference, stating "***we will not be hosting Q&A***
8 ***on this call.***"

9 265. In the Company's third quarter 2023 Form 10-Q, the Company
10 acknowledged the importance of Syndeo to its existence. It stated:

11 ***Our business is dependent on the commercial success of selling***
12 ***our Delivery Systems, particularly Syndeo 3.0 devices. If we are***
13 ***unable to continue to successfully commercialize Syndeo 3.0, our***
14 ***results or operations and financial condition will be materially***
harmed.

15 Our business and our ability to generate revenue largely depends on
16 our ability to successfully commercialize and sell our Delivery
17 Systems, particularly Syndeo 3.0 devices. Our ability to generate
18 revenue depends on our ability to manufacture and sell high quality,
19 reliable Delivery Systems and execute on our commercialization
20 plans, and the size of the market for, and the level of market
21 acceptance of, our Delivery Systems, particularly the Syndeo 3.0. If
22 our Delivery Systems are not accepted and adopted by our
23 customers, if our customers continue to experience similar
performance interruptions in our Syndeo 3.0 devices as in previous
models, or if we experience an RMA rate for Syndeo 3.0 devices
significantly above historical averages, our revenue and results of
operations will be materially and adversely affected.

24 266. Securities analysts across the board were quick to cut price targets and
25 downgrade the stock after the earnings call, citing the newly revealed issues concerning
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27
28

1 the Syndeo devices as the principal driver.³⁹ In doing so, several analysts challenged
2 Stanleick’s and Woo’s lack of transparency in previous public disclosures. Piper Sandler
3 “double-downgraded” SKIN to “Underweight” from “Overweight,” an adverse move it
4 “only deem[s] acceptable in extreme circumstances.”⁴⁰ In slashing its SKIN price target
5 from \$10 to \$2 per share, the analyst explained that “[m]anagement’s messaging has not
6 been clear” and characterized Q3 2023 as “a quarter of surprises” since management
7 revealed additional Syndeo issues that had not been previously disclosed:

- 8 • **A Stream of Additional Syndeo Issues.** On the call, mgmt noted
9 additional Syndeo issues that had not been brought up to us
10 before (distractive noises, difficult bottle insertion, issues
11 affecting the international launch) in addition to the clogging.
- 12 • **Unclear Messaging.** While we think a new management team
13 could bring a fresh perspective and hopefully clearer plan for
14 growth and profitability, the recent unclear communication and
15 quantification of issues add to our lack of confidence.

16 267. William Blair expressed similar concern about the previous regime’s
17 failure to come clean about Syndeo earlier, stating that though the Syndeo program reset
18 and impairment charges “[are] the right move after several difficult tries to fix the
19 underlying issue, *clearly the impact is more notable than suggested in the past.*”⁴¹

20 268. Likewise, Raymond James downgraded to underperform from market
21 perform after The BeautyHealth Company’s substantial miss and guide down,

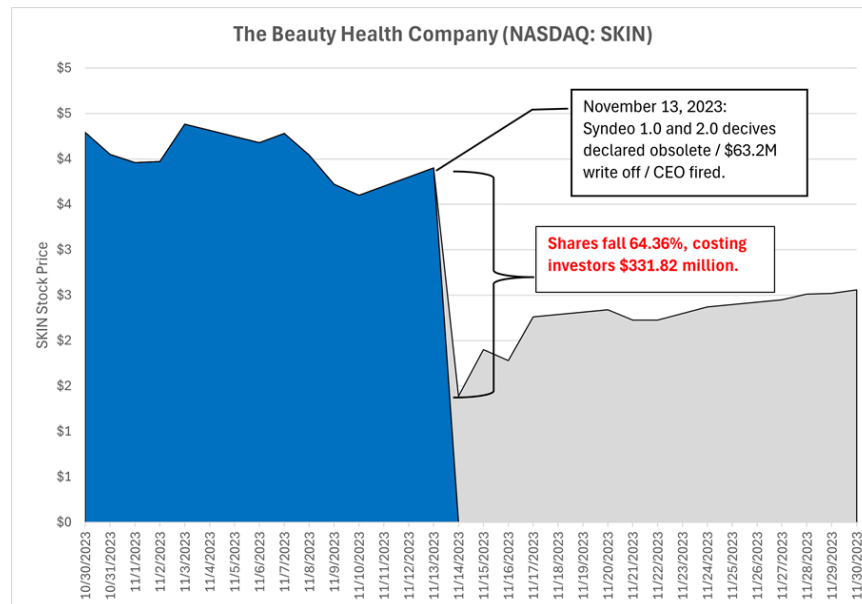
22 ³⁹ “The Beauty Health Company plunges on Q3 miss as problems persist,”
23 *Investing.com* (Nov. 14, 2023), [https://www.investing.com/news/stock-market-](https://www.investing.com/news/stock-market-news/the-beauty-health-company-plunges-on-q3-miss-as-problems-persist-432SI-3233911)
24 [news/the-beauty-health-company-plunges-on-q3-miss-as-problems-persist-432SI-](https://www.investing.com/news/stock-market-news/the-beauty-health-company-plunges-on-q3-miss-as-problems-persist-432SI-3233911)
[3233911](https://www.investing.com/news/stock-market-news/the-beauty-health-company-plunges-on-q3-miss-as-problems-persist-432SI-3233911).

25 ⁴⁰ “The Beauty Health Co. (SKIN): Double-Downgrading to Underweight; Too
26 Messy and Too Uncertain,” Piper Sandler Research (Nov. 13, 2023).

27 ⁴¹ “The Beauty Health Company: Syndeo Relaunch More Challenging Than
28 Expected and Leads to Miss and Guidance Decrease; Downgrade to Market Perform,”
William Blair (Nov. 14, 2023).

explaining, “While our 2023/24 forecasts going into the print were already well below consensus and we have had a tepid view on the stock since our late 2021 initiation, *the extent of the challenges impacting the company is more severe than we had anticipated. Notably, the company reaffirmed its 2025 outlook for sales, gross margin, and EBITDA margin as recently as Sept. 12th when it announced a \$100M share repurchase authorization, and did not address existing guidance on its Sept. 20th press release, its last before quarter close.*”⁴²

269. On this news, BeautyHealth’s share price fell \$2.51, or 64.36%, to close at \$1.39 per share on November 14, 2023, on unusually heavy trading volume.



B. Piper Sandler post-Class Period survey confirms widespread problems with Syndeo beyond management’s previous disclosures.

270. Following BeautyHealth’s stunning November 13, 2023 disclosures, analysts at Piper Sandler published a report to its clients. The analyst explained that it had conducted a phone survey to 50 HydraFacialists providers across 25 states and Washington D.C. to understand the extent of the Syndeo issues and how to think about

⁴² “SKIN: Downgrade to Underperform from Market Perform; Challenges Run More Than Skin Deep,” Raymond James (Nov. 14, 2023).

1 the business going forward, two issues that were both top of mind for BeautyHealth
2 investors.⁴³

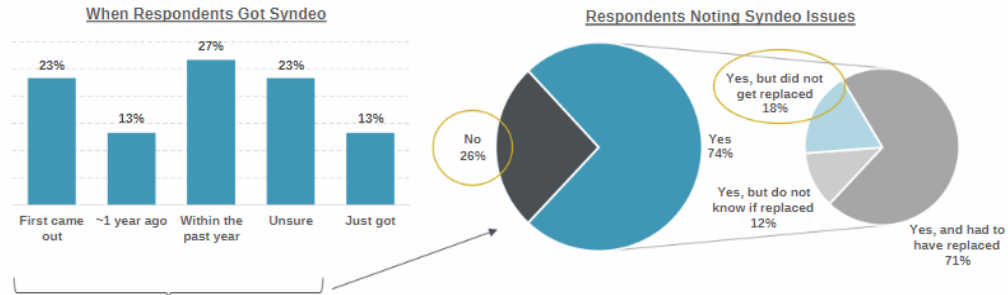
3 271. Significantly, Piper Sandler found that 74% of respondents with Syndeo
4 had faced experienced issues.

5 272. In addition, Piper Sandler found that a significant percentage (18%) of
6 those respondents had yet to receive replacements. Syndeo therefore concluded it could
7 still be a timely process to fully getting everything replaced (management estimates
8 mid-2024).

9 273. Further, 20% of the lower-end Elite users said they did not plan to upgrade
10 to Syndeo, with half noting this is due to the Syndeo issues. Piper Sandler explained,
11 “This is a key fear we’ve had with the Syndeo issues. As word continues to spread, there
12 becomes a likelihood that Elite users may not want to upgrade and/or don’t see a reason
13 to upgrade and invite opportunity for problems . . . We see this as limiting the full
14 Syndeo install base potential, at least until SKIN stops offering Consumables and
15 maintenance services for the older systems.”

27 ⁴³ “The Scoop on SKIN: How Are 50 HydraFacialists Handling the Syndeo Issues?,”
28 Piper Sandler (Dec. 14, 2023).

Majority of Respondents with Syndeo Have Faced Issues



WHILE 13% OF RESPONDENTS JUST GOT THE SYNDEO, 87% HAVE HAD THE MACHINE FOR AT LEAST A COUPLE OF MONTHS (WE ALSO INCLUDED THOSE THAT WERE UNSURE ON TIMING HERE)...

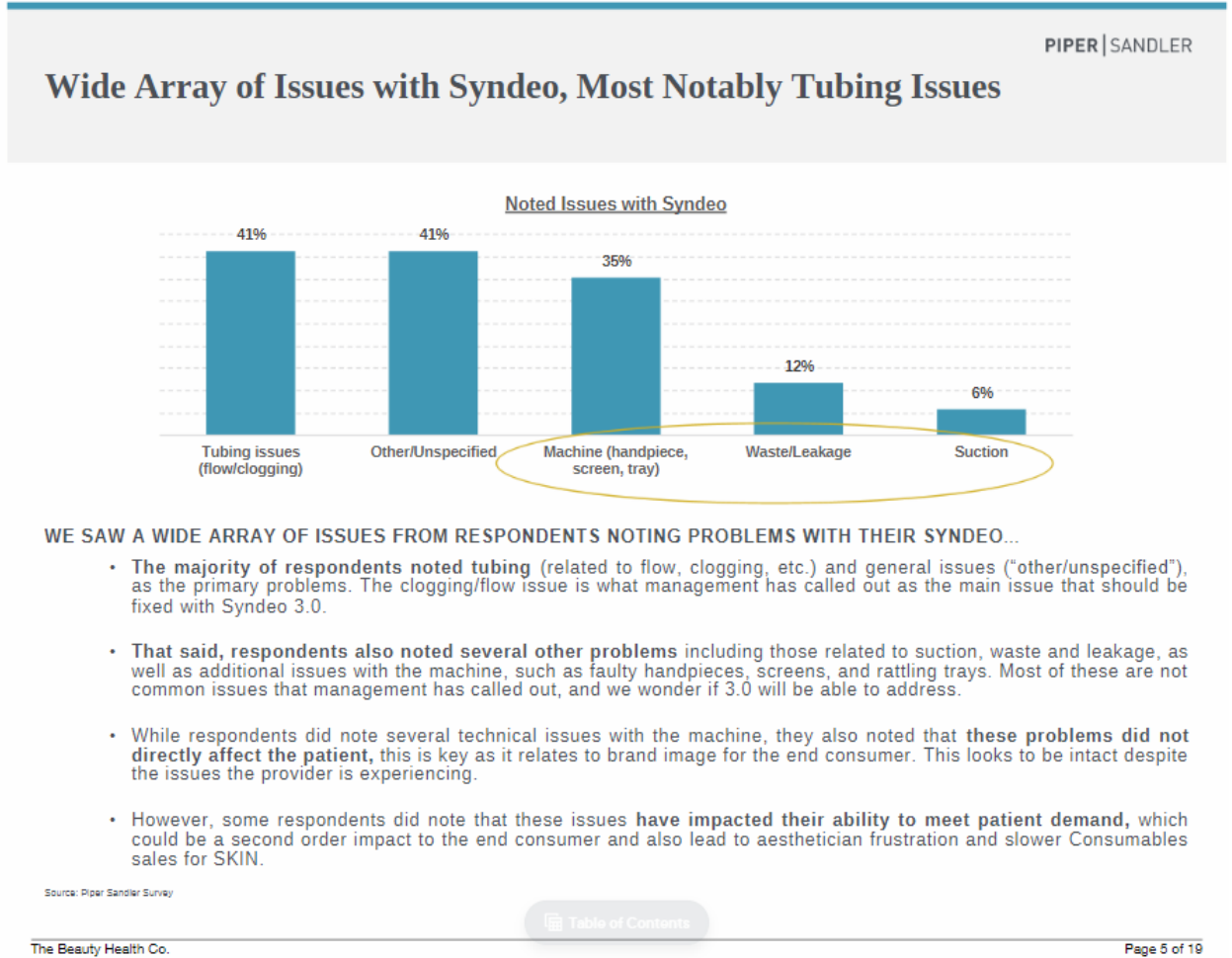
- Of the 87% who have had the Syndeo for at least a couple months (likely Syndeo 1.0 or 2.0), 74% have had issues. 71% of these respondents have had the system replaced (53% of total Syndeo 1.0 or 2.0 owners). Importantly, management is both replacing and fixing systems depending on preference, so we take "replace" as replaced or fixed.
- 18% of 1.0 or 2.0 owners with issues still have not yet received a replacement (or 13% of total 1.0 and 2.0 owners). We suspect that this 13% plus the 26% who have the 1.0 or 2.0 and have not yet had issues will likely still receive a 3.0 replacement or need an update. If we translate this to our estimated ~7,500 global Syndeo 1.0 and 2.0 install base, this suggests ~3,000 devices still to be replaced/fixed. This is a tad lower than management's estimated 4,500 to be addressed (as of the Q3 call), but we expect several were addressed here in the past month, and with respondents being primarily Black Diamond, it's likely they received quicker fixes than standard providers. Additionally, as we show over the following pages, some 1.0 and 2.0 owners who have received replacements (likely 2.0 vs. 3.0 replacements) are still experiencing issues, meaning the total number still to be replaced by 3.0 or fixed could be higher.
- Note, we assume that those respondents who just got Syndeo likely have Syndeo 3.0. Importantly, of these respondents, none have noted having issues. That said, it is still too early to tell, in our view, given the system was launched in July and it can take at least 3-4 months to show problems.

Source: Piper Sandler Survey

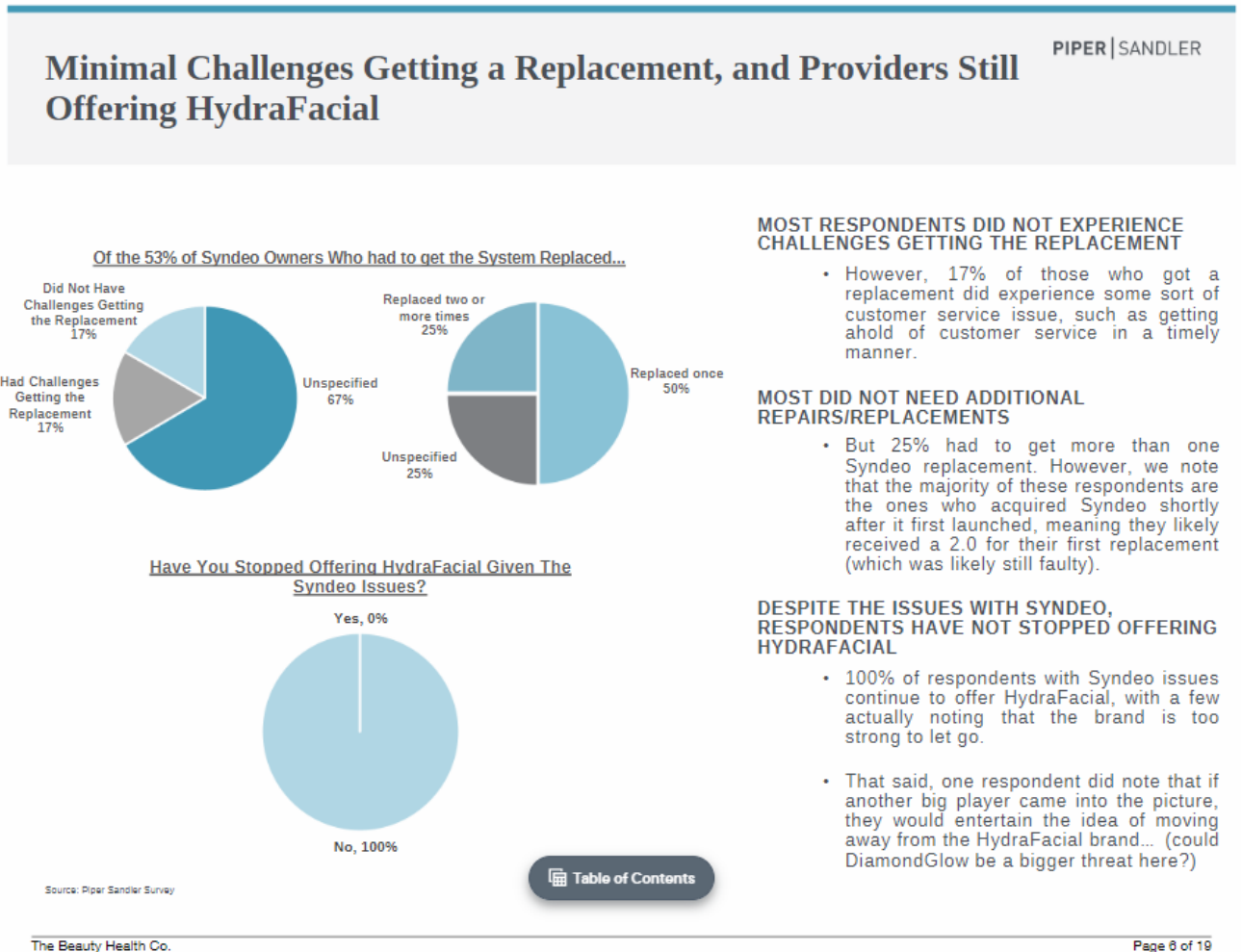
The Beauty Health Co.

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274. Based on feedback from the respondents, Piper Sandler concluded that the issues impacting Syndeo expanded well beyond the clogging that BeautyHealth management had called out in previous earnings calls, including those related to suction, waste and leakage, as well as additional issues with the machine, such as faulty handpieces, screens, and rattling trays. Since management had not called out these issues previously, Piper Sandler questioned whether Syndeo 3.0 would be able to address the problems.



275. Piper Sandler's survey demonstrated how the Syndeo issues disrupted customer relations. A significant percentage of the respondents (17%) who had received a replacement, experienced customer service issues, such as getting ahold of customer service in a timely manner. Moreover, 25% of respondents had to get more than one Syndeo replacement.



MOST RESPONDENTS DID NOT EXPERIENCE CHALLENGES GETTING THE REPLACEMENT

- However, 17% of those who got a replacement did experience some sort of customer service issue, such as getting ahold of customer service in a timely manner.

MOST DID NOT NEED ADDITIONAL REPAIRS/REPLACEMENTS

- But 25% had to get more than one Syndeo replacement. However, we note that the majority of these respondents are the ones who acquired Syndeo shortly after it first launched, meaning they likely received a 2.0 for their first replacement (which was likely still faulty).

DESPITE THE ISSUES WITH SYNDEO, RESPONDENTS HAVE NOT STOPPED OFFERING HYDRAFACIAL

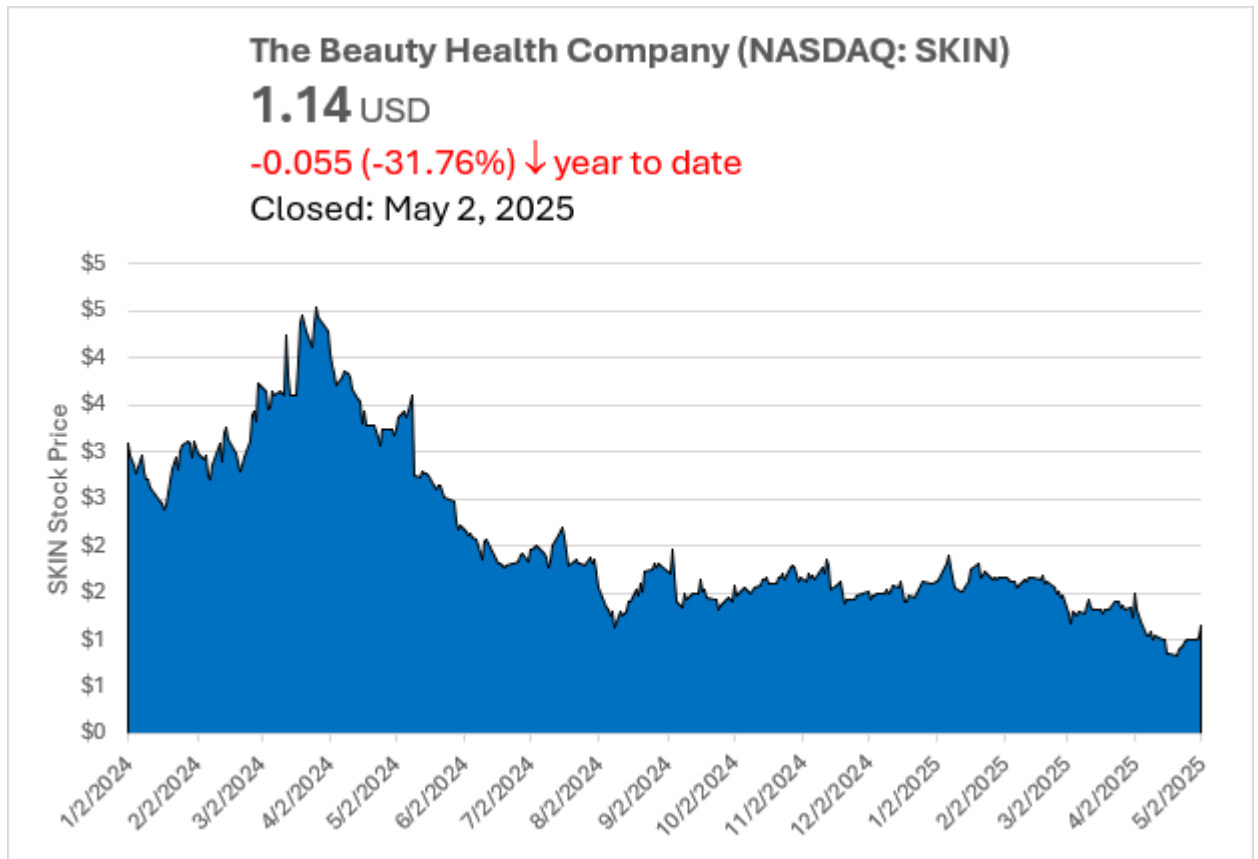
- 100% of respondents with Syndeo issues continue to offer HydraFacial, with a few actually noting that the brand is too strong to let go.
- That said, one respondent did note that if another big player came into the picture, they would entertain the idea of moving away from the HydraFacial brand... (could DiamondGlow be a bigger threat here?)

C. BeautyHealth's disappointing financial performance since November 2023.

276. Since its November 13, 2023 disclosures, the Company has continued to deliver a string of disappointing quarters of financial results, often caused by softness in sales stemming from customer caution around its flagship Syndeo 3.0 machine.

277. Moreover, despite representing on November 13, 2023 that the Company had come up with a fix with the new Syndeo 3.0 in July 2023, the Company admitted as recently as May 10, 2024 that customers continued to experience functionality issues with Syndeo. In particular, at its May 9, 2024 Q1 2024 earnings call, new CEO Marla Beck revealed that while the core issues that impacted earlier versions of its Syndeo system have been resolved with the release of Syndeo 3.0 last July, its field and customer

service teams are still finding certain technical issues even with this latest edition. In turn, the Company's share price continues to trade below \$2.00 per share.



278. The financial press has attributed Syndeo's woes as "the real culprit for the marked weakness in SKIN's stock."⁴⁴

D. BeautyHealth discloses SEC investigation in April 2024.

279. In a Form 8-K dated April 8, 2024, the Company disclosed it was under investigation by the SEC:

The Division of Enforcement of the Securities and Exchange Commission has issued a subpoena in connection with a formal order of investigation of the Company seeking documents and information from us. The Company is in the process of responding to the subpoena and intends to fully cooperate with the SEC investigation. We cannot predict the duration, scope, or outcome of this matter at this time.

⁴⁴ "Update: SKIN, May 10," *Forbes* (May 10, 2024).

1 280. No further information regarding the subject matter, scope, or status of the
2 investigation has been provided by the Company as of March 12, 2025, the date
3 BeautyHealth filed its annual report. The timing of the SEC’s investigation, however,
4 suggests it concerns Syndeo and the injury suffered by investors due to Defendants’
5 false and misleading statements.

6 **VI. DEFENDANTS’ FALSE AND MISLEADING**
7 **STATEMENTS AND OMISSIONS**

8 281. Throughout the Class Period, Defendants made numerous false or
9 misleading statements promoting the functionality and commercial launch of Syndeo in
10 multiple contexts, including press releases, quarterly SEC filings, investor
11 presentations, and conferences.⁴⁵

12 **1. Defendants’ false statements associated with the announcement of**
13 **BeautyHealth’s Q1 2022 financial results.**

14 282. On May 10, 2022, the Company published an earnings press release
15 entitled “The Beauty Health Company Reports Strong First Quarter 2022 Financial
16 Results Increases 2022 Financial Guidance,” which was included in a Form 8-K filing
17 with the SEC signed by Defendant Woo. The press release, announcing its first quarter
18 2022 financial results, included the following quote from Defendant Stanleick:

19 I am proud to report that Beauty Health delivered another
20 outstanding quarter of growth as we continued to execute on
21 our Master Plan. ***We achieved record delivery system sales,***
22 ***supported by the highly successful launch of Syndeo,*** our
23 next generation digitally connected HydraFacial delivery
24 system. ***We are driving continued strong demand as***
25 ***consumers seek the confidence boosting glow we’re famous***
for. As a result of the momentum we’re seeing across the
business and the strong rollout of Syndeo, I am pleased to
announce that we are raising our full-year guidance for net

26
27 ⁴⁵ While the Complaint provides block quotes of Defendants’ challenged statements
28 for context, Lead Plaintiffs have italicized and bolded portions of those block quotes to
identify the particularly false and misleading portions of those statements.

1 *sales.* We remain confident in the long-term outlook for the
2 beauty health category, and we look forward to carrying this
3 momentum into the rest of the year as we continue to build
 upon our impressive platform.

4 283. The statements in paragraph 282 above were materially false and
5 misleading when made and omitted to disclose material facts. Contrary to Defendants’
6 representations that there was a “highly successful launch” and “strong rollout” of
7 Syndeo, Defendants were aware and had knowledge that Syndeo devices were
8 experiencing widespread and serious issues impacting performance and customer
9 satisfaction. Defendants performed limited testing prior to launching Syndeo, and screen
10 glitching issues were apparent immediately prior to or concurrently with its wide
11 commercial release. ¶¶68-69. After launch, Defendants became aware of cosmetic
12 problems and functional issues as early as March 2022. ¶¶89, 92-94. In April/May 2022,
13 Defendants identified design flaws which caused “as much as 50%” of the devices to
14 experience, as Defendants explained in November 2023, “frequent treatment
15 interruptions and issues such as distractive noises and difficult bottle insertion” as well
16 as “low flow and clogs in the system.” See ¶¶99, 101, 262. As a result of these frequent
17 treatment interruptions, BeautyHealth received a significant increase in complaints from
18 customers in May and June 2022. ¶100. Further, the Company was incurring significant
19 costs in the return of defective machines and replacing them with new machines at the
20 Company’s expense. ¶¶89-91, 93, 96, 102. Finally, Syndeo’s performance problems and
21 customer complaints were so severe that BeautyHealth’s operations team had
22 commenced a secret project as early as April/May 2022 to redesign the system in an
23 effort to address and remediate these issues. ¶¶119-124.

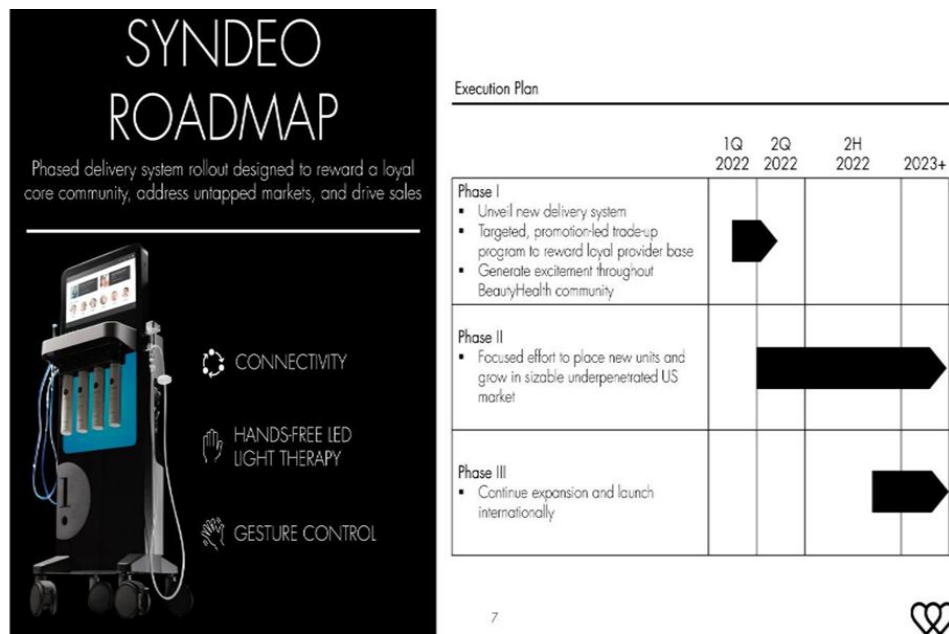
24 284. The misrepresented and concealed information was material to
25 BeautyHealth investors. The Syndeo was the next generation of BeautyHealth’s flagship
26 HydraFacial device, and would position the Company to “lead in the beauty health
27 market, by applying technology and data to maximize our customer experience.” ¶71.
28

As such, systemic issues with Syndeo could jeopardize BeautyHealth’s operations and financial well-being, which would concern the Company’s investors and impact their decision to invest in BeautyHealth securities.

285. Having spoken directly on the successful commercial launch and positive customer reaction to the Syndeo device, Defendants were required to provide these material omitted facts to investors to avoid misleading them.

286. Also on May 10, 2022, BeautyHealth hosted an earnings call with analysts led by Defendants Stanleick and Woo. During the call, Defendant Stanleick represented Syndeo as *“a revolutionary system that offers significant improvements and a personalized experience for providers and consumers,”* stating *“I’m thrilled by the strong early feedback we are receiving from the field, which validates our experience-led approach to innovation and product development.”*

287. On the earnings call, Defendants Stanleick and Woo published an investor presentation entitled “BeautyHealth: First Quarter 2022 Earnings Presentation (May 10, 2022), which was filed with the SEC on a Form 8-K signed by Defendant Woo. The presentation included a slide (p. 7) outlining BeautyHealth’s three-phased execution plan for Syndeo:



1 288. On the earnings call, in reference to slide 7, Defendant Stanleick
2 emphasized Beauty Health’s “amazing job executing on the first phase of the planned
3 rollout” and tremendous customer enthusiasm for Syndeo generating unexpected trade-
4 ins of legacy HydraFacial machines, justifying the Company’s net sales guidance raise:

5 Our sales team did an *amazing job executing on the first*
6 *phase of the planned rollout*, driving strong trader volume
7 along continued new system sales. Early adoption trends have
8 far exceeded our expectations, with trade-offs surpassing our
9 forecast nearly three-fold. I would liken it within our industry
10 to the same form of hype from consumers that typically
11 surrounds a major new firm launch. Providers were
12 scrambling to buy Delivery Systems. *As a result of the early*
13 *success of Syndeo and the higher than anticipated demand*
14 *persistent trade-offs, I am pleased to raise our full year net*
15 *sales outlook to a range of \$330 million to \$340 million, up*
16 *from our previous guidance of \$320 million to \$330 million.*

17 289. The statements in paragraphs 286-288 were false and misleading and failed
18 to disclose material facts. Contrary to being a “revolutionary system that offers
19 significant improvements and a personalized experience for providers and consumers,”
20 as discussed above, Defendants were aware and had knowledge that Syndeo devices
21 were experiencing widespread and serious issues impacting performance and customer
22 satisfaction. Defendants performed limited testing prior to launching Syndeo, and screen
23 glitching issues were apparent immediately prior to or concurrently with its wide
24 commercial release. ¶¶68-69. After launch, Defendants became aware of cosmetic
25 problems and functional issues as early as March 2022. ¶¶89, 92-94. In April/May 2022,
26 Defendants identified design flaws which caused “as much as 50%” of the devices to
27 experience, as Defendants explained in November 2023, “frequent treatment
28 interruptions and issues such as distractive noises and difficult bottle insertion” as well
as “low flow and clogs in the system.” See ¶¶99, 101, 262. And Stanleick’s
representations that the Company received “strong early feedback” and that the
Company “did an amazing job executing on the first phase of the planned rollout” is

1 also contradicted by (1) the Company having received complaints as early as March
2 2022 about cosmetic and functional defects, and in May and June 2022, a significant
3 increase in complaints from customers due to the clogging issue (¶¶89, 92-94,100); (2)
4 the Company incurring significant costs in the return of defective machines and
5 replacing them with new machines at the Company's expense (¶¶89-91, 93, 96, 102);
6 and (3) the Company's operations team commencing a secret project as early as
7 April/May 2022 to redesign the system in an effort to address and remediate these issues
8 (¶¶119-124).

9 290. The misrepresented and concealed information was material to
10 BeautyHealth investors. The Syndeo was the next generation of BeautyHealth's flagship
11 HydraFacial device, and would position the Company to "lead in the beauty health
12 market, by applying technology and data to maximize our customer experience." ¶71.
13 As such, systemic issues with Syndeo could jeopardize BeautyHealth's operations and
14 financial well-being, which would concern the Company's investors and impact their
15 decision to invest in BeautyHealth securities.

16 291. Having spoken directly on the issue of the functionality of Syndeo, its
17 commercial launch, consumer demand, and the Company's financial prospects tied to
18 Syndeo, Defendants were bound to provide these material omitted facts to investors to
19 avoid misleading them.

20 **2. Defendants' false statements at the June 19, 2022 Nantucket Jeffries**
21 **Consumer Conference.**

22 292. On June 19, 2022, Defendants Stanleick and Woo, on behalf of
23 BeautyHealth spoke at the Nantucket Jefferies Consumer Conference. In response to
24 an analyst's inquiry, Defendant Stanleick emphasized Syndeo's "*really handy*
25 *functional benefits.*"

26 Thank you, Steph. The launch of Syndeo, which means connect in
27 Greek, is a key pillar of our future strategy. We launched it in March
28 and this type of investment and innovation comes every five years.
*This new system is a leap forward in technology, bringing us from
an analog to a digital business and provides a number of benefits*

1 *to both the provider, the consumer and Beauty Health. First of all,*
2 *for the provider, has a number of really handy functional benefits.*
3 We co-invented it with our aestheticians and they gave us feedback.
4 For example, there's an LED feature which used to be manual, it now
5 is placed over the client's face during the service, which frees up 10
6 to 14 minutes in productivity. First of all, post-COVID, hygiene is
7 really important, so it's not a touch screen, it's a gesture screen. I
8 think you've seen it, Steph, just you gesture hand movements
9 without touching the screen to operate it. Thirdly, the gunky jar, that
10 canister which has all the proof point, the end result is eliminated
11 and magnified, which the consumers really like. It makes for a great
12 Instagrammable moment.

13
14 293. Later, when asked by a Jeffries analyst what he was most proud of that the
15 Company achieved over the past year, Defendant Stanleick replied, *“Clearly, it’s the*
16 *flawless global launch of Syndeo”*:
17

18 **Question – Stephanie Wissink:** That’s great. All right. We have
19 about one minute left. So, if we’re sitting here in a year from now,
20 looking back, what are you going to be most proud of that was
21 achieved by the company?

22 **Answer – Andrew Stanleick:** *Well, that’s a great question.*
23 *Clearly, it’s the flawless global launch of Syndeo, our new delivery*
24 *system that is a leap forward in technology, gives us a real*
25 *competitive advantage protected by these patents. Of course, as you*
26 *heard on the Q1 earnings call, we had a tremendous launch in the*
27 *US to get going and later this year and into early next year we're*
28 *focused on launching it around the world.* Of course, with brand
awareness so low, as we discussed, we have a huge opportunity to
really increase that brand awareness and we've been focused on
doing that.

29 294. The statements in paragraphs 292-293 were false and misleading and
30 omitted to disclose material facts. Contrary to superior functionality of Syndeo Stanleick
31 highlighted, including the “really handy functional benefits,” as discussed above,
32 Defendants were aware and had knowledge that Syndeo devices were experiencing
33 widespread and serious issues impacting performance and customer satisfaction.
34 Defendants performed limited testing prior to launching Syndeo, and screen glitching
35 issues were apparent immediately prior to or concurrently with its wide commercial
36 release. ¶¶68-69. After launch, Defendants became aware of cosmetic problems and

1 functional issues as early as March 2022. ¶¶89, 92-94. In April/May 2022, Defendants
2 identified design flaws which caused “as much as 50%” of the devices to experience, as
3 Defendants explained in November 2023, “frequent treatment interruptions and issues
4 such as distractive noises and difficult bottle insertion” as well as “low flow and clogs
5 in the system.” See ¶¶99, 101, 262. And Stanleick’s representations of a “flawless
6 global launch of Syndeo” is also contradicted by (1) Stanleick declaring during an
7 executive committee offsite meeting held on or around June 14-16, 2022 that “getting
8 [Syndeo] back on track” was the “#1 priority” and there was “nothing that is more
9 important for the organization” (¶¶82, 112); (2) the Company starting a weekly “Syndeo
10 Powerhouse” meeting in June 2022, led by Stanleick, with the goal to “understand
11 issues, set dates and hold people accountable” (¶113); (3) the Company incurring
12 significant costs to replace defective machines and attempt to redesign the system (¶¶89-
13 91, 93, 96, 102, 119-124); and (4) the Company’s operations team commencing a secret
14 project as early as April/May 2022 to redesign the system in an effort to address and
15 remediate these issues (¶¶119-124).

16 295. The misrepresented and concealed information was material to
17 BeautyHealth investors. The Syndeo was the next generation of BeautyHealth’s flagship
18 HydraFacial device, and would position the Company to “lead in the beauty health
19 market, by applying technology and data to maximize our customer experience.” ¶71.
20 As such, systemic issues with Syndeo could jeopardize BeautyHealth’s operations and
21 financial well-being, which would concern the Company’s investors and impact their
22 decision to invest in BeautyHealth securities.

23 296. Having spoken directly on the issue of the functionality of Syndeo, its
24 commercial launch, consumer demand, and the Company’s financial prospects tied to
25 Syndeo, Defendants were bound to provide these material omitted facts to investors to
26 avoid misleading them.

1 **3. Defendants’ false statements associated with the announcement of**
2 **BeautyHealth’s Q2 2022 financial results.**

3 297. On August 9, 2022, the Company published a press release entitled
4 “BeautyHealth Reports Record Second Quarter 2022 Financial Results,” which was
5 filed on a Form 8-K with the SEC signed by Defendant Woo. In announcing “record
6 high” quarterly net sales of \$103.5 million, the press release claimed “*Exceptional*
7 *results driven by acceleration of Hydrafacial delivery system placements globally,*”
8 and stated that “Net sales in the Americas region increased to \$75.4 million in Q2 2022
9 compared to \$42.7 million in Q2 2021, *driven by strong demand for Syndeo.*” The press
10 release also announced that “In Q2 2022, adjusted EBITDA was \$12.6 million
11 compared to adjusted EBITDA of \$11.4 million in Q2 2021. *Adjusted EBITDA grew*
12 *due to strong demand for Syndeo.*”

13 298. On August 9, 2022, the Company also filed its second quarter 2022
14 financial results on Form 10-Q with the SEC signed by Defendants Stanleick and Woo,
15 affirming that net sales in that quarter increased “*primarily due to the strong demand*
16 *for the Company’s new Syndeo delivery system.*”

17 299. The Company also held an earnings conference with investors on August
18 9, 2022 led by Defendants Stanleick and Woo. During the call Defendant Stanleick
19 stated:

20 *The Syndeo rollout in the U.S. has been a tremendous success, with*
21 *2,265 Syndeos placed since launch in March ... In the Americas, we*
22 *achieved growth of 76.6%, fueled by the launch of Syndeo. Having*
23 *visited with hundreds of providers and consumers across the US,*
 there is an incredible enthusiasm for our new Syndeo delivery
 system and we see it in our results.

24 300. During the call, Defendants Stanleick and Woo published an investor
25 presentation which was filed with the SEC on a Form 8-K signed by Defendant Woo,
26 which featured slides (pp. 8-9) quoting positive reviews from select customers to
27 support the notion that BeautyHealth was “*Successfully Executing Our Syndeo*
28 *Rollout*” and “Accelerating Toward Planned 2023 Global Rollout.”

① SUCCESSFULLY EXECUTING OUR SYNDEO ROLLOUT



“Easier to use with the no-touch system and provides more of a personal experience for our clients.”

—Provider, Fresno, CA

“Love the app integration for consumers and how it tracks their treatments.”

—Provider, Colorado Springs, CO

2,265

Total Syndeo systems placed
+108.3% sequential growth¹

“It's sleek, it's a sexy design. It's quiet, so it makes the treatment room that much more relaxing for your client while giving that clinical grade treatment. I highly recommend it. Don't walk. Run.”


—Provider, Long Beach, CA

¹ Q2 2022 Americas delivery systems sold vs Q1 2022 Americas delivery systems sold

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8

① ACCELERATING TOWARD PLANNED 2023 GLOBAL ROLL-OUT

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2023+
 Phase I Targeted, promotion-led trade-up program to reward loyal provider base		➡			
Phase II Focused effort to place new units and grow in sizable underpenetrated US market		➡	➡	➡	➡
Phase III Continue expansion and launch internationally					➡

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9

301. Referring to these slides, Defendant Stanleick stated:

The first phase of our Syndeo rollout in the US was an astounding success. Syndeo is a giant leap forward in skin health technology. Our customers are raving about the connected system and user experience, and on slide 8, you can see some of the feedback we have received. This is a first of its kind digital experience in beauty health and the buzz in the US is creating growing excitement abroad. On slide 9, you

1 will find our execution plan. *The positive feedback we have*
2 *with US customers underscores the remarkable opportunity*
3 *we see globally with Syndeo.*

4 302. During the question-and-answer session with analysts, Maggie Boye of
5 William Blair asked Defendant Stanleick if he could provide further color on the Syndeo
6 launch and what he was seeing in the field. Defendant Stanleick responded by assuring
7 analysts that the customer feedback featured on the investor slide “*has been very*
8 *consistent [with what] we’re hearing,*” including “*really good feedback on*” Syndeo’s
9 “*data connectivity, the improvements in user interface, the touch screen technology,*
10 *the LightStim LED, et cetera*”:

11 **Question – Maggie Boye:** Great. Thank you. And then you’re
12 about – I wanted to ask the next one on the Syndeo launch.
13 So, you’re about one quarter into the launch so far within the
14 US. So, can you talk about what you’re seeing in the field,
15 kind of what data insights you’ve been able to gather and then
16 any thoughts on improvements of software and algorithms
17 and update into the future?

18 **Answer – Andrew Stanleick:** No – thank you. As we said in
19 the recorded notes, *we’re really thrilled with the launch of*
20 *Syndeo in the US and it was co-invented with our providers*
21 *in mind. And you saw their feedback on page 8 of the deck,*
22 *which has been very consistent we’re hearing.* I mean, it’s a
23 leap forward in technology. And *some of the feedback we’re*
24 *getting, which gives us confidence for the global launch, is*
25 *the data connectivity, the improvements in user interface,*
26 *the touch screen technology, the LightStim LED, etcetera,*
27 *all really big leap forwards which the – we’re getting really*
28 *good feedback on.*

29 303. Later, an analyst at TD Cowen asked Stanleick about the progress of
30 BeautyHealth’s beta testing progress of its new Glow & Go skin treatment. Stanleick
31 responded that while BeautyHealth was a while away from commercializing Glow &
32 Go, the Company would leverage the learnings and insight it had taken away from
33 Syndeo – “in terms it’s beautiful, it’s connected and it gives a great user experience”:

1 ***But with all the learnings which we’ve now had from Syndeo***
2 ***in terms it’s beautiful, it’s connected and it gives a great user***
3 ***experience***, we want to take all the insights from the test and
4 ensure what we launch in the future as new, better and
5 different. So I wouldn’t include in any models for the moment
6 and we will obviously update the market in future. At the
7 moment, of course, we’re laser focused on really globalizing
8 the Syndeo.

9 304. The statements in paragraphs 297-303 above were false and misleading and
10 omitted material facts. Each of these statements, including those attributing the
11 Company’s sales growth and positive financial projections to “***strong demand for***
12 ***Syndeo***,” representing that the “***Syndeo rollout in the U.S. was an astounding success***,”
13 and stating that the Company was receiving “***really good feedback***” on Syndeo, are
14 contradicted by material facts which Defendants were aware and had knowledge of,
15 including that (1) Syndeo had serious performance issues including cosmetic problems
16 affecting 30% of the devices and design flaws which caused “as much as 50%” of the
17 devices to experience, as Defendants explained in November 2023, “frequent treatment
18 interruptions and issues such as distractive noises and difficult bottle insertion” as well
19 as “low flow and clogs in the system” (¶¶86, 101, 262); (2) the Company received “a
20 lot of complaints” from customers starting shortly after the launch of Syndeo in March
21 and April 2022 and continuing throughout the Class Period (¶¶89-90, 92-94, 99-100,
22 128); (3) Stanleick declared during a June 2022 executive committee offsite meeting
23 that “getting [Syndeo] back on track” was the “#1 priority” and there was “nothing that
24 is more important for the organization” (¶112); (4) the Company started a weekly
25 “Syndeo Powerhouse” meeting in June 2022, led by Stanleick, with the goal to
26 “understand issues, set dates and hold people accountable” (¶113); (5) the Company
27 incurred significant costs to replace defective machines and attempt to redesign the
28 system (¶¶89-91, 93, 96, 102, 119-124); and (6) Defendants approved the “Syndeo 2.0”
fix in July 2022 but never halted sales of Syndeo 1.0 despite being aware that defective
machines were being returned (¶¶125, 170).

1 305. The misrepresented and concealed information was material to
2 BeautyHealth investors. The Syndeo was the next generation of BeautyHealth’s flagship
3 HydraFacial device, and would position the Company to “lead in the beauty health
4 market, by applying technology and data to maximize our customer experience.” ¶71.
5 As such, systemic issues with Syndeo could jeopardize BeautyHealth’s operations and
6 financial well-being, which would concern the Company’s investors and impact their
7 decision to invest in BeautyHealth securities.

8 306. Having spoken directly on the issue of the functionality of Syndeo,
9 consumer demand and the Company’s financial prospects tied to Syndeo, Defendants
10 were bound to provide these material omitted facts to investors to avoid misleading
11 them.

12 **4. Defendants’ false statements at September 15, 2022 Investor Day.**

13 307. On September 15, 2022, BeautyHealth hosted an Investor Day conference
14 with analysts in New York, New York. Among others, the following BeautyHealth
15 insiders participated in the Investor Day conference: Stanleick, Woo, Brenton L.
16 Saunders - Executive Chairman; Benjamin C. Baum - Chief Experience Officer; Jwala
17 Karnik - Executive Vice President-Global Strategy & Partnerships; Amy Juaristi -
18 Head-Corporate Affairs; Daniel Watson - Executive Vice President-Sales Americas;
19 and Mingo Ku - President-North Asia.

20 308. During the Investor Day conference, Defendants Stanleick and Woo
21 published an investor presentation entitled “BeautyHealth: Analyst & Investor Day
22 (Sep. 15, 2022)” filed on a Form 8-K with the SEC signed by Defendant Woo. The
23 investor presentation featured a slide (p. 36) representing that “*Syndeo’s launch has*
24 *been next-level,*” “*3X Sales – Exceeded month 1 launch expectations,*” and “*~2,265*
25 *Systems In Market*”:
26
27
28

Syndeo's launch
has been next-level

3x Sales

Exceeded month 1 launch expectations

~2,265 Systems

In market¹

2023 Expansion

To EMEA and APAC



36

1. As of June 30, 2022.

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309. The presentation contained another slide (p. 69) touting Syndeo's “*elevated design*,” “*enhanced ease-of-use and intuitive operation*,” and “*connected experience*”:



Meet Syndeo

The future of skin health **reimagined.**

-  Elevated design
-  Enhanced ease-of-use and intuitive operation
-  Co-created with aesthetician partners
-  Connected experience

BEAUTYHEALTH™

310. The presentation also contained a slide (p. 70) claiming “Syndeo will pave the way to our connected platform” through “*First of its kind delivery system*,” “*Ultimate in ease-of-use and intuitive operation*” and “*Data to optimize utilization*”:

Syndeo will pave the way to our connected platform



- ✦ First of its kind smart delivery system
- ✦ Ultimate in ease-of-use and intuitive operation
- ✦ Data to optimize utilization
- ✦ Closed loop
- ✦ Connected consumer loyalty program to grow repeat visits and LTV
- ✦ Global expansion

70

✦ BEAUTYHEALTH™

311. During the call, Stanleick stated:

Syndeo, is revolutionary. Created with our community, Syndeo is a giant leap forward in skin health technology, offering significant improvements and personalization experience through a digitally-connected delivery system. Our three-phase launch began in the US in March and is well on track. First month orders exceeded our internal forecasts by nearly threefold and we continue to see an incredible enthusiasm for Syndeo with orders for around 2,265 systems already placed. The buzz in the US is creating growing excitement abroad and we look forward to our international launch in 2023

...

Syndeo, the center of our connected community for providers, consumers, and HydraFacial. This transformational Beauty Health device is the nucleus of our connected platform. Syndeo is our game-changing, innovative and long-awaited transformation of the treatment experience for providers and consumers alike. Co-created in direct collaboration with our valued aesthetician partners, we transformed this

1 *flagship device to address many of the critical asks they had*
2 *for us.*

3 A sample, hands-free operation with touch screen and gesture
4 control, hands-free LED light therapy *that enables time*
5 *savings and increased utilization*. The provider can now
6 focus on other treatment areas or add-on offerings without
7 having to handle the LED. Intuitive and automatic controls to
8 move effortlessly between treatment stages. A lighted and
9 magnified gunky jar to show the results easily to consumers.
10 For those of you who have seen it online, it's gross, but
11 incredibly attractive at the same time. Much lighter and more
12 movable machines to effortlessly toggle between treatment
13 rooms, personalized lighting and nameplates, and an
14 integrated perk treatment for lip and eye.

15 Syndeo is light-years ahead of other delivery systems with its
16 connected features. With a completely self-guided, intuitive,
17 step-by-step narrative provided discreetly to the aesthetician
18 and invisible to the client, the aesthetician becomes the trusted
19 expert, providing all the skincare guidance to their clients in
20 real time, whether to cross-sell or upsell to other treatments,
21 modalities, parts of the body, or just simply to inform on
22 ingredients, formulations and solutions. You know, *some of*
23 *our delighted aestheticians* have told us that Syndeo is like
24 having an HFX master class inside the machine every time.
25 This built-in automated guidance benefits providers, clients
26 and us.

27 . . .

28 So at the start, *Syndeo represents a game changer in ease of*
operation, design, and use for our aestheticians. We created
this patent-protected industry device with their direct
feedback and input. But it also represents the beginnings of a
connected device that will both create a direct relationship for
us with our own consumers, opening a marketing flywheel of
communication and also a very rich source of treatment data
that we can use to constantly improve the products we build
and the experiences we offer.

1 312. On the call, Mr. Baum stated the following, which was not corrected by
2 Stanleick, Woo or any other BeautyHealth executive:

3 Our launch this year of Syndeo 1.0 is just the beginning. ***We***
4 ***are already hard at work enhancing, improving and***
5 ***optimizing Syndeo in collaboration with our early adopter***
6 ***providers.*** We employ a continuous approach to development,
7 pushing releases over the year with software updates. Future
8 releases will include additional features and functionality,
9 especially progress toward our connected ecosystem, tying
together provider, consumer, and HydraFacial through a
redesigned app with greater connectivity and data next year.

10 313. On the call, Mr. Baum stated the following, which was not corrected by
11 Stanleick, Woo or any other BeautyHealth executive:

12 We have a time-tested and proven blueprint for the ultimate
13 in HydraFacial support behind our customers, fueled by a
14 first-class sales, training, and marketing team. And now, ***we***
15 ***have a state-of-the-art, industry-leading flagship device with***
Syndeo that is transforming the industry and setting new
standards for what an aesthetic experience should be.

16 314. Also during the same presentation, BeautyHealth Executive Vice President
17 for Sales, Daniel Watson, stated with respect to Syndeo, which was not corrected by
18 Stanleick, Woo or any other BeautyHealth executive:

19 ***The sales trend for both the new and trade-ups has been***
20 ***fantastic. As you know, we have a really strong relationship***
21 ***with our providers. And the fact that the system was co-***
22 ***created with them, we knew that they'd be happy with what***
23 ***we delivered. And you heard some of this from Ben, but the***
24 ***customers love the new look. It's slick, it's modern. The ease***
of use for our customers, it just makes their life so much
easier.

25 315. The statements in paragraphs 308-314 above were false and misleading and
26 omitted material facts that made them further false and misleading. While repeatedly
27 touting the “next level” launch of Syndeo, and functionality of Syndeo as, among other
28 things, “a game changer in ease of operation, design, and use,” Defendants knew but

omitted to disclose material facts directly undermining these statements, including that (1) Syndeo had serious performance issues including cosmetic problems affecting 30% of the devices and design flaws which caused “as much as 50%” of the devices to experience, as Defendants explained in November 2023, “frequent treatment interruptions and issues such as distractive noises and difficult bottle insertion” as well as “low flow and clogs in the system” (¶¶86, 101, 262); (2) the Company received “a lot of complaints” from customers starting shortly after the launch of Syndeo in March and April 2022 and continuing throughout the Class Period (¶¶89-90, 92-94, 99-100, 128, 141-146); (3) Stanleick declared during a June 2022 executive committee offsite meeting that “getting [Syndeo] back on track” was the “#1 priority” and there was “nothing that is more important for the organization” (¶112); (4) the Company started a weekly “Syndeo Powerhouse” meeting in June 2022, led by Stanleick, with the goal to “understand issues, set dates and hold people accountable” (¶113); (5) the Company incurred significant costs to replace defective machines and attempt to redesign the system (¶¶89-91, 93, 96, 102, 119-124); (6) Defendants approved the “Syndeo 2.0” fix in July 2022 but never halted sales of Syndeo 1.0 despite being aware that defective machines were being returned (¶¶125, 170); and (7) the Company accumulated so many returned machines – as many as 3,000 by September/October 2022 – that it had to rent a separate warehouse to store them (¶¶147-151).

316. The misrepresented and concealed information was material to BeautyHealth investors. The Syndeo was the next generation of BeautyHealth’s flagship HydraFacial device, and would position the Company to “lead in the beauty health market, by applying technology and data to maximize our customer experience.” ¶71. As such, systemic issues with Syndeo could jeopardize BeautyHealth’s operations and financial well-being, which would concern the Company’s investors and impact their decision to invest in BeautyHealth securities.

1 317. Having spoken directly on the issue of the functionality of Syndeo,
2 consumer demand and the Company's financial prospects, Defendants were bound to
3 provide these omitted material facts to investors to avoid misleading them.

4 **5. Defendants' false statements associated with the announcement of**
5 **BeautyHealth's Q3 2022 financial results.**

6 318. On November 8, 2022, BeautyHealth published a press release entitled
7 "BeautyHealth Reports Third Quarter 2022 Financial Results," which was filed on a
8 Form 8-K with the SEC signed by Defendant Woo. In the press release, the Company
9 reported quarterly net sales of \$88.8M, up 30.3% year-over-year and again represented
10 that this increase was "*driven by strength in Delivery System net sales.*" The press
11 release further stated that "Net sales in the Americas region increased to \$58.4 million
12 in Q3 2022 compared to \$45 million in Q3 2021, *driven by solid demand for Syndeo.*"

13 319. On November 8, 2022, BeautyHealth also hosted an earnings conference
14 call led by Defendants Stanleick and Woo to report its FY 2022 third quarter results.
15 During the call, Defendant Woo reported, "In America, we grew 30% year-over-year,
16 *driven by the continued success of Syndeo placements,*" adding that the Company
17 "reported adjusted EBITDA of \$16.5 million for the third quarter, *which was driven by*
18 *strong demand for Syndeo in the US.*"

19 320. In response to an analyst's question about the Company's expectations for
20 future growth, Defendant Stanleick stated, "*the US another tremendous quarter plus*
21 *37% – 30% strength of the consumer strength, continued strength of Syndeo, which*
22 *gives us a lot of confidence. We're seeing absolutely no slowdown.*"

23 321. Korinne Wolfmeyer of Piper Sandler asked for further information about
24 "the cadence of delivery system sales" that the Company experienced throughout the
25 quarter. Stanleick responded:

26 *We've seen actually consistent demand across the quarter in*
27 *all regions, actually.* Of course, APAC was, of course,
28 impacted by the opening and closing and opening and closing
 in China. But across that, we've seen very robust demand, no

1 slowdown. And of course, *in the US, we continued with the*
2 *rollout of Syndeo very strongly* and prepare for our
3 international launch of Syndeo in overseas markets in the H1
4 of 2023.” Defendant Woo echoed that sentiment, stating “*we*
5 *haven’t seen a slowdown, as Andrew mentioned, in the US*
6 *market. We’re very encouraged as we continue to visit our*
7 *providers and the sentiment seems to be strong.*”

8 322. Later during the meeting, Kyle Rose of Canaccord asked for an update on
9 the Company’s progress in leveraging data gathered through Syndeo’s “connectivity
10 aspect,” Stanleick provided the reassurance that, “*six months since the launch of*
11 *Syndeo, and we couldn’t be happier with the rollout.*”

12 323. On November 9, 2022, the Company also filed its second quarter 2022
13 financial results on Form 10-Q with the SEC signed by Defendants Stanleick and Woo,
14 affirming that net sales in that quarter increased “*primarily due to the strong demand*
15 *for the Company’s new Syndeo delivery system.*” This Quarterly Report was signed and
16 approved by Defendant Stanleick.

17 324. The statements in paragraphs 318-323 above were false and misleading and
18 omitted material facts that made them further false and misleading. While the statements
19 attributed the Company’s sales growth and optimistic financial projections to “the
20 continued success of Syndeo placements,” repeatedly claimed that there was “strong
21 demand for Syndeo,” and touted that “six months since the launch of Syndeo, and we
22 couldn’t be happier with the rollout,” they omitted material facts corroborated by former
23 BeautyHealth employees and of which Defendants were aware and had knowledge of,
24 including that (1) Syndeo had serious performance issues including cosmetic problems
25 affecting 30% of the devices and design flaws which caused “as much as 50%” of the
26 devices to experience, as Defendants explained in November 2023, “frequent treatment
27 interruptions and issues such as distractive noises and difficult bottle insertion” as well
28 as “low flow and clogs in the system” (¶¶86, 101, 262); (2) the Company received “a
lot of complaints” from customers starting shortly after the launch of Syndeo in March
and April 2022 and continuing throughout the Class Period (¶¶89-90, 92-94, 99-100,

1 128, 141-146, 166); (3) Stanleick declared during a June 2022 executive committee
2 offsite meeting that “getting [Syndeo] back on track” was the “#1 priority” and there
3 was “nothing that is more important for the organization” (¶112); (4) the Company
4 started a weekly “Syndeo Powerhouse” meeting in June 2022, led by Stanleick, with the
5 goal to “understand issues, set dates and hold people accountable” (¶113); (5) the
6 Company incurred significant costs to replace defective machines and attempt to
7 redesign the system (¶¶89-91, 93, 96, 102, 119-124); (6) Defendants approved the
8 “Syndeo 2.0” fix in July 2022 but never halted sales of Syndeo 1.0 despite being aware
9 that defective machines were being returned (¶¶125, 170); (7) the Company
10 accumulated so many returned machines – as many as 3,000 by September/October
11 2022 – that it had to rent a separate warehouse to store them (¶¶147-151); (8) the
12 Company was aware by late October 2022/November 2022 that Syndeo 2.0 did not fix
13 the problems with Syndeo 1.0 and that Syndeo 2.0 had additional problems including a
14 design flaw which resulted in serum over-sucking which frustrated customers (¶¶166-
15 167); and (9) despite its inability to develop an adequate fix for Syndeo, the Company
16 continued to send out systems with the exact same defects as those that had been
17 returned (¶91).

18 325. The misrepresented and concealed information was material to
19 BeautyHealth investors. The Syndeo was the next generation of BeautyHealth’s flagship
20 HydraFacial device, and would position the Company to “lead in the beauty health
21 market, by applying technology and data to maximize our customer experience.” ¶71.
22 As such, systemic issues with Syndeo could jeopardize BeautyHealth’s operations and
23 financial well-being, which would concern the Company’s investors and impact their
24 decision to invest in BeautyHealth securities.

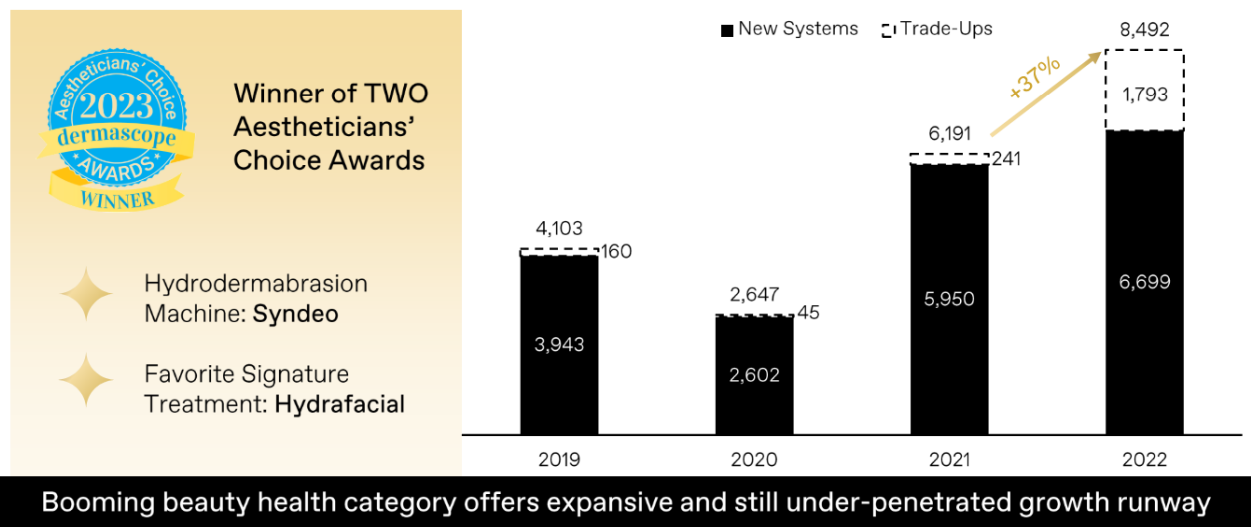
25 326. Having spoken directly on the issue of consumer demand for Syndeo and
26 the Company’s financial prospects, Defendants were bound to provide these omitted
27 material facts to investors to avoid misleading them.
28

6. Defendants' false statements associated with the announcement of BeautyHealth's Q4 2022 financial results.

327. On February 28, 2023, the Company hosted an earnings call led by Defendants Stanleick and Woo. During the call, Defendant Stanleick proclaimed Syndeo as "the biggest product innovation in our company's history." Stanleick told analysts, "We will launch Syndeo internationally in the second quarter of 2023. *We have taken lessons learned from a highly successful US launch last year* and look forward to growing Syndeo's soon to be global footprint."

328. Defendants Stanleick and Woo published an investor presentation entitled "BeautyHealth: Q4 & FY 2022 Earnings Presentation (Feb. 28, 2023)," which was filed with the SEC on a Form 8-K signed by Defendant Woo. During the earnings call, Defendants published slides touting Hydrafacial and Syndeo as aestheticians "favorite treatment and device."

Achieved another year of record delivery system sales and recognition as estis' favorite treatment & device



8 ————— BEAUTYHEALTH

329. Referring to the slide, Stanleick stated:

In 2022, we delivered a record 8,492 Hydrafacial systems globally, which includes 1,793 trade-up units to Syndeo. This represents a 37% increase from 2021, *highlighting consumer*

1 *and provider resiliency and increasing demand globally for*
2 *our products. Across distribution channels, we continue to*
3 *see provider preference for the Hydrafacial treatment and*
4 *device.*

5 330. During the presentation, Defendant Woo stated:

6 Most first generation IoT products require continuous
7 improvement based upon user experience. From our Syndeo
8 launch, we gain valuable insights through provider feedback.
9 Because our providers are always our number one priority, *we*
10 *implemented a program to replace all systems regardless of*
11 *issue until October 2022. As a result of this one-time*
12 *program, we incurred \$2.4 million in non-recurring*
13 *logistics and servicing costs in 2022. Through the program,*
14 *we have also optimized Syndeo in preparation for our*
15 *international launch in second quarter of 2023.*

16 331. During a question-and-answer session with analysts, Linda Bolton Weiser
17 of D.A. Davidson asked what the Company had learned in the first year since the launch
18 from data collected through Syndeo's connectivity function. Stanleick stated "we're
19 learning how to improve the system and the software, and we're always iterating and
20 learning and improving the system based on provider feedback, based on what we're
21 learning of that data," but Stanleick declined to provide any specific information about
22 what the Company had learned about Syndeo or what improvements it was working on,
23 stating instead "I think in the coming quarters, we'll share more insights with you on
24 what we're learning."

25 332. The statements in paragraphs 327-331 above were false and misleading and
26 omitted material facts that made them further false and misleading. While the statements
27 attributed the Company's optimistic financial outlook to "consumer and provider
28 resiliency and increasing demand globally for our products" and downplayed the
financial impact of the Company's efforts to resolve issues with Syndeo, including by
characterizing its Syndeo replacement program as a "one time program" which ended
in October 2022, they omitted material facts corroborated by former BeautyHealth

employees and of which Defendants were aware and had knowledge of, including that (1) Syndeo had serious performance issues including cosmetic problems affecting 30% of the devices and design flaws which caused “as much as 50%” of the devices to experience, as Defendants explained in November 2023, “frequent treatment interruptions and issues such as distractive noises and difficult bottle insertion” as well as “low flow and clogs in the system” (¶¶86, 101, 262); (2) the Company received “a lot of complaints” from customers starting shortly after the launch of Syndeo in March and April 2022 and continuing throughout the Class Period (¶¶89-90, 92-94, 99-100, 128, 141-146, 166, 188); (3) Stanleick declared during a June 2022 executive committee offsite meeting that “getting [Syndeo] back on track” was the “#1 priority” and there was “nothing that is more important for the organization” (¶112); (4) the Company started a weekly “Syndeo Powerhouse” meeting in June 2022, led by Stanleick, with the goal to “understand issues, set dates and hold people accountable” (¶113); (5) the Company incurred significant costs to replace defective machines and attempt to redesign the system (¶¶89-91, 93, 96, 102, 119-124, 171, 189); (6) Defendants approved the “Syndeo 2.0” fix in July 2022 but never halted sales of Syndeo 1.0 despite being aware that defective machines were being returned (¶¶125, 170); (7) the Company accumulated so many returned machines – as many as 5,000 by spring 2023– that it had to rent a separate warehouse to store them (¶¶147-151, 222); (8) the Company was aware by late October 2022/November 2022 that Syndeo 2.0 did not fix the problems with Syndeo 1.0 and that Syndeo 2.0 had additional problems including a design flaw which resulted in serum over-sucking which frustrated customers (¶¶166-167); (9) despite its inability to develop an adequate fix for Syndeo, the Company continued to send out systems with the exact same defects as those that had been returned (¶91); and (10) a customer who had four-to-five Syndeo replacements started a Facebook group that had over 900 members so Syndeo customers could troubleshoot their defective devices (¶¶190-195).

1 333. The misrepresented and concealed information was material to
2 BeautyHealth investors. The Syndeo was the next generation of BeautyHealth’s flagship
3 HydraFacial device, and would position the Company to “lead in the beauty health
4 market, by applying technology and data to maximize our customer experience.” ¶71.
5 As such, systemic issues with Syndeo could jeopardize BeautyHealth’s operations and
6 financial well-being, which would concern the Company’s investors and impact their
7 decision to invest in BeautyHealth securities.

8 334. Having spoken directly on the issue of the functionality of Syndeo,
9 consumer demand and the Company’s financial prospects, Defendants were bound to
10 provide these omitted material facts to investors to avoid misleading them.

11 **7. Defendants’ false statements associated with the international launch**
12 **of Syndeo.**

13 335. On March 30, 2023, BeautyHealth issued a press release entitled,
14 “Revolutionizing the Treatment Room: BeautyHealth Launches Connected Hydrafacial
15 Syndeo Device in Europe and Asia,” announcing the international launch of Syndeo in
16 Europe and Asia. The press release stated, “*Syndeo has been embraced by*
17 *Hydrafacial’s consumer and provider community in the U.S., where sales exceeded*
18 *expectations by three times within the first month after launch. Momentum has*
19 *continued, with more than 3,000 systems sold in 2022.*”

20 336. In the press release, Defendant Stanleick states, “We are incredibly excited
21 to introduce our international Hydrafacial community to Syndeo. It is a true revolution
22 of the treatment room.” The press release added, “With its *upgraded connected*
23 *functionality and elegant design*, Syndeo remains true to Hydrafacial’s proprietary
24 treatment experience, delivered through its patented vortex fusion and ‘magic wand.’”

25 337. The statements in paragraphs 335-336 above were false and misleading and
26 omitted material facts that made them further false and misleading. Contrary to being
27 “embraced by Hydrafacial’s consumer and provider community in the U.S.,” in reality,
28 as corroborated by former BeautyHealth employees, the (1) Company received “a lot of

1 complaints” from customers starting shortly after the launch of Syndeo in March and
2 April 2022 and continuing throughout the Class Period (¶¶89-90, 92-94, 99-100, 128,
3 141-146, 166, 188); (2) Stanleick declared during a June 2022 executive committee
4 offsite meeting that “getting [Syndeo] back on track” was the “#1 priority” and there
5 was “nothing that is more important for the organization” (¶112); (3) the Company
6 started a weekly “Syndeo Powerhouse” meeting in June 2022, led by Stanleick, with the
7 goal to “understand issues, set dates and hold people accountable” (¶113); (4) more than
8 5,000 devices had been returned by the spring of 2023 – approximately half of all
9 Syndeos sold to date (¶147-151, 222); and (5) a customer who had four-to-five Syndeo
10 replacements started a Facebook group that had over 900 members so Syndeo customers
11 could troubleshoot their defective devices (¶¶190-195).

12 338. And, contrary to Defendants’ representation that Syndeo had an “upgraded
13 functionality and elegant design,” (1) Syndeo had serious performance issues including
14 cosmetic problems affecting 30% of the devices and design flaws which caused “as
15 much as 50%” of the devices to experience, as Defendants explained in November 2023,
16 “frequent treatment interruptions and issues such as distractive noises and difficult
17 bottle insertion” as well as “low flow and clogs in the system” (¶¶86, 101, 262); (2) the
18 Company incurred significant costs to replace defective machines and attempt to
19 redesign the system (¶¶89-91, 93, 96, 102, 119-124, 171, 189); (3) Defendants approved
20 the “Syndeo 2.0” fix in July 2022 but never halted sales of Syndeo 1.0 despite being
21 aware that defective machines were being returned (¶¶125, 170); (4) the Company
22 accumulated so many returned machines – as many as 5,000 by spring 2023 – that it
23 had to rent a separate warehouse to store them (¶¶147-151, 222); (5) the Company was
24 aware by late October 2022/November 2022 that Syndeo 2.0 did not fix the problems
25 with Syndeo 1.0 and that Syndeo 2.0 had additional problems including a design flaw
26 which resulted in serum over-sucking which frustrated customers (¶¶166-167); and (6)
27 despite its inability to develop an adequate fix for Syndeo, the Company continued to
28 send out systems with the exact same defects as those that had been returned (¶91).

1 339. The misrepresented and concealed information was material to
2 BeautyHealth investors. The Syndeo was the next generation of BeautyHealth’s flagship
3 HydraFacial device, and would position the Company to “lead in the beauty health
4 market, by applying technology and data to maximize our customer experience.” ¶71.
5 As such, systemic issues with Syndeo could jeopardize BeautyHealth’s operations and
6 financial well-being, which would concern the Company’s investors and impact their
7 decision to invest in BeautyHealth securities.

8 340. Having spoken directly on the issue of the functionality of Syndeo and
9 consumer demand for the product, Defendants were bound to provide these omitted
10 material facts to investors to avoid misleading them.

11 **8. Defendants’ false statements associated with the announcement of**
12 **BeautyHealth’s Q1 2023 financial results.**

13 341. On May 10, 2023, BeautyHealth announced its first quarter 2023 results in
14 a press release which reported that the Company raised its fiscal year 2023 net sales
15 guidance to a range of \$460 to \$480 million “*due to continued strength in consumer*
16 *demand, strong Syndeo traction globally*, and a reacceleration in China.” The release
17 quoted Defendant Stanleick:

18 I am pleased with the growth we achieved in the first quarter
19 and our strong momentum going into Q2. *We see sustained*
20 *consumer demand for Hydrafacial treatments across the*
21 *globe and palpable excitement for the international launch of*
22 *Syndeo*. This demand, together with the investments made last
23 year and favorable market trends, particularly in China, give us
24 the confidence to raise our 2023 net sales target and reconfirm
25 our 2023 adjusted EBITDA margin guidance and long-term
26 2025 targets.

27 342. Later the same day, the Company held an earnings call with investors
28 during which Defendant Stanleick stated:

One year on from its debut, we have placed nearly 5,000
 Syndeo systems across the world. We are very pleased with
 its uptake today and expect growth to continue as we execute

on our international Syndeo launch and capitalize on broader sector tailwinds.

343. Defendant Stanleick also published a Q1 2023 earnings presentation which touted increased year-over-year revenues “*amidst strong Syndeo traction.*”

Underlying consumer demand for Hydrafacial remains strong

Amidst strong Syndeo traction and China recovery, raising FY 2023 net sales guidance

Strong consumables revenue growth demonstrates continued healthy consumer demand



Americas: +34% Q1 2023 YoY

EMEA: +13% Q1 2023 YoY

APAC: (22)% Q1 2023 YoY

+35% adjusting for Q1 2022 Russia contribution

COVID-related impact January & February

Double-digit topline growth, continues quarterly trend



\$86.3mm Q1 2023 net sales
+14% growth YoY

\$(0.5)mm Q1 2023 adjusted EBITDA¹
(\$22.3mm GAAP net loss)

Raising FY23 net sales guidance and affirming FY23 EBITDA and long-range targets



\$460 – 480mm FY 2023 net sales

18 – 20% FY 2023 adj EBITDA margin

Re-affirming long-range 2025 net sales and adjusted EBITDA targets

5

¹ Non-GAAP measure; refer to the disclaimer for a discussion of the definition of this measure and appendix for reconciliation to the most appropriate GAAP measure.

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344. The statements in paragraphs 341-343 above were false and misleading and omitted material facts that made them further false and misleading. While the statements attributed the Company’s sales growth and optimistic financial projections to “continued strength in consumer demand” and “strong Syndeo traction,” they omitted material facts corroborated by former BeautyHealth employees and of which Defendants were aware and had knowledge of, including that (1) Syndeo had serious performance issues including cosmetic problems affecting 30% of the devices and design flaws which caused “as much as 50%” of the devices to experience, as Defendants explained in November 2023, “frequent treatment interruptions and issues such as distractive noises and difficult bottle insertion” as well as “low flow and clogs in the system” (¶¶86, 101, 262); (2) the Company received “a lot of complaints” from customers starting shortly after the launch of Syndeo in March and April 2022 and

1 continuing throughout the Class Period (¶¶89-90, 92-94, 99-100, 128, 141-146, 166,
2 188, 214-215); (3) Stanleick declared during a June 2022 executive committee offsite
3 meeting that “getting [Syndeo] back on track” was the “#1 priority” and there was
4 “nothing that is more important for the organization” (¶112); (4) the Company started a
5 weekly “Syndeo Powerhouse” meeting in June 2022, led by Stanleick, with the goal to
6 “understand issues, set dates and hold people accountable” (¶113); (5) the Company
7 incurred significant costs to replace defective machines and attempt to redesign the
8 system (¶¶89-91, 93, 96, 102, 119-124, 171, 189); (6) Defendants approved the
9 “Syndeo 2.0” fix in July 2022 but never halted sales of Syndeo 1.0 despite being aware
10 that defective machines were being returned (¶¶125, 170); (7) the Company
11 accumulated so many returned machines – as many as 5,000 by spring 2023 – that it
12 had to rent a separate warehouse to store them (¶¶147-151, 222); (8) the Company was
13 aware by late October 2022/November 2022 that Syndeo 2.0 did not fix the problems
14 with Syndeo 1.0 and that Syndeo 2.0 had additional problems including a design flaw
15 which resulted in serum over-sucking which frustrated customers (¶¶166-167); (9)
16 despite its inability to develop an adequate fix for Syndeo, the Company continued to
17 send out systems with the exact same defects as those that had been returned (¶91); (10)
18 a customer who had four-to-five Syndeo replacements started a Facebook group that
19 had over 900 members so Syndeo customers could troubleshoot their defective devices
20 (¶¶190-195); and (11) an analyst survey found that an astonishing 74% of respondents
21 who had purchased Syndeo 1.0 and 2.0 machines experienced problems (¶271).

22 345. The misrepresented and concealed information was material to
23 BeautyHealth investors. The Syndeo was the next generation of BeautyHealth’s flagship
24 HydraFacial device, and would position the Company to “lead in the beauty health
25 market, by applying technology and data to maximize our customer experience.” ¶71.
26 As such, systemic issues with Syndeo could jeopardize BeautyHealth’s operations and
27 financial well-being, which would concern the Company’s investors and impact their
28 decision to invest in BeautyHealth securities.

1 346. Having spoken directly on the issue of consumer demand for Syndeo and
2 the Company's financial prospects, Defendants were bound to provide these omitted
3 material facts to investors to avoid misleading them.

4 **9. Defendants' false statements in May 2023 *Technology of Beauty***
5 ***Podcast* interview.**

6 347. During a May 2023 interview on the *Technology of Beauty Podcast*,
7 Defendant Stanleick stated:⁴⁶

8 [W]e launched our biggest innovation to date, which was
9 HydraFacial Syndeo, which is our fully connected next
10 generation device. It really is a leap forward in technology in
11 this space. We launched that last March. ***It's been a***
tremendous success ... we achieved more sales and system
placements than we would've ever dreamed of.

12 . . .

13 ***So it's an incredible journey, which the company's been on***
14 ***in the last couple of years, but at the heart of it has been the***
15 ***launch of Syndeo.***

16 348. The statements in paragraph 347 above were false and misleading and
17 omitted material facts that made them further false and misleading. Contrary to
18 Defendants' characterization of the Syndeo launch as a "tremendous success," in reality,
19 as corroborated by former BeautyHealth employees: (1) Syndeo had serious
20 performance issues including cosmetic problems affecting 30% of the devices and
21 design flaws which caused "as much as 50%" of the devices to experience, as
22 Defendants explained in November 2023, "frequent treatment interruptions and issues
23 such as distractive noises and difficult bottle insertion" as well as "low flow and clogs
24 in the system" (¶¶86, 101, 262); (2) the Company received "a lot of complaints" from
25 customers starting shortly after the launch of Syndeo in March and April 2022 and
26

27 ⁴⁶ [https://www.influxmarketing.com/technology-of-beauty/bridging-med-aesthetics-](https://www.influxmarketing.com/technology-of-beauty/bridging-med-aesthetics-traditional-beauty-through-connected-tech/)
28 [traditional-beauty-through-connected-tech/](https://www.influxmarketing.com/technology-of-beauty/bridging-med-aesthetics-traditional-beauty-through-connected-tech/)

1 continuing throughout the Class Period (¶¶89-90, 92-94, 99-100, 128, 141-146, 166,
2 188, 214-215); (3) Stanleick declared during a June 2022 executive committee offsite
3 meeting that “getting [Syndeo] back on track” was the “#1 priority” and there was
4 “nothing that is more important for the organization” (¶112); (4) the Company started a
5 weekly “Syndeo Powerhouse” meeting in June 2022, led by Stanleick, with the goal to
6 “understand issues, set dates and hold people accountable” (¶113); (5) the Company
7 incurred significant costs to replace defective machines and attempt to redesign the
8 system (¶¶89-91, 93, 96, 102, 119-124, 171, 189); (6) Defendants approved the
9 “Syndeo 2.0” fix in July 2022 but never halted sales of Syndeo 1.0 despite being aware
10 that defective machines were being returned (¶¶125, 170); (7) the Company
11 accumulated so many returned machines – as many as 5,000 by spring 2023 – that it
12 had to rent a separate warehouse to store them (¶¶147-151, 222); (8) the Company was
13 aware by late October 2022/November 2022 that Syndeo 2.0 did not fix the problems
14 with Syndeo 1.0 and that Syndeo 2.0 had additional problems including a design flaw
15 which resulted in serum over-sucking which frustrated customers (¶¶166-167); (9)
16 despite its inability to develop an adequate fix for Syndeo, the Company continued to
17 send out systems with the exact same defects as those that had been returned (¶91); (10)
18 a customer who had four-to-five Syndeo replacements started a Facebook group that
19 had over 900 members so Syndeo customers could troubleshoot their defective devices
20 (¶¶190-195); and (11) an analyst survey found that an astonishing 74% of respondents
21 who had purchased Syndeo 1.0 and 2.0 machines experienced problems (¶271).

22 349. The misrepresented and concealed information was material to
23 BeautyHealth investors. The Syndeo was the next generation of BeautyHealth’s flagship
24 HydraFacial device, and would position the Company to “lead in the beauty health
25 market, by applying technology and data to maximize our customer experience.” ¶71.
26 As such, systemic issues with Syndeo could jeopardize BeautyHealth’s operations and
27 financial well-being, which would concern the Company’s investors and impact their
28 decision to invest in BeautyHealth securities.

1 350. Having spoken directly on the issue of the functionality of Syndeo and
2 consumer demand for the product, Defendants were bound to provide these omitted
3 material facts to investors to avoid misleading them.

4 **10. Defendants’ false statements at the June 6, 2023 TD Cown**
5 **Sustainability Conference.**

6 351. During the June 6, 2023 TD Cown Sustainability Conference, in response
7 to an analyst inquiry, Defendant Stanleick stated that “we launched this new device, the
8 new Hydrafacial system just over 12 months ago here in the US. *And it’s been a great*
9 *success.*”

10 352. In response to another inquiry, Stanleick described how the Company had
11 a lot of “learnings” and were always “improving the device” without disclosing that any
12 such learnings and improvements were the result of having to address systemic issues
13 with Syndeo:

14 A key fundamental value of our company is the customer is
15 number one, really. *And we are always, and we’ve got that*
16 *with Syndeo, always learning – testing and learning,*
17 *improving the device. We launched Syndeo here in the US a*
18 *year ago. We’ve got a lot of learnings. We made*
 improvements in the software. So I think we’re continuing to
 learn, enhance and improve the provider experience.

19 353. The statements in paragraphs 351-352 above were false and misleading and
20 omitted material facts that made them further false and misleading. Contrary to
21 Defendants’ characterization of the Syndeo launch as a “great success” and their
22 attempts to portray efforts to address systemic issues as “improvements” based on
23 “learnings,” in reality, as corroborated by former BeautyHealth employees: (1) Syndeo
24 had serious performance issues including cosmetic problems affecting 30% of the
25 devices and design flaws which caused “as much as 50%” of the devices to experience,
26 as Defendants explained in November 2023, “frequent treatment interruptions and
27 issues such as distractive noises and difficult bottle insertion” as well as “low flow and
28 clogs in the system” (¶¶86, 101, 262); (2) the Company received “a lot of complaints”

1 from customers starting shortly after the launch of Syndeo in March and April 2022 and
2 continuing throughout the Class Period (¶¶89-90, 92-94, 99-100, 128, 141-146, 166,
3 188, 214-215, 224); (3) Stanleick declared during a June 2022 executive committee
4 offsite meeting that “getting [Syndeo] back on track” was the “#1 priority” and there
5 was “nothing that is more important for the organization” (¶112); (4) the Company
6 started a weekly “Syndeo Powerhouse” meeting in June 2022, led by Stanleick, with the
7 goal to “understand issues, set dates and hold people accountable” (¶113); (5) the
8 Company incurred significant costs to replace defective machines and attempt to
9 redesign the system (¶¶89-91, 93, 96, 102, 119-124, 171, 189); (6) Defendants approved
10 the “Syndeo 2.0” fix in July 2022 but never halted sales of Syndeo 1.0 despite being
11 aware that defective machines were being returned (¶¶125, 170); (7) the Company
12 accumulated so many returned machines – as many as 5,000 by spring 2023 – that it
13 had to rent a separate warehouse to store them (¶¶147-151, 222-223); (8) the Company
14 was aware by late October 2022/November 2022 that Syndeo 2.0 did not fix the
15 problems with Syndeo 1.0 and that Syndeo 2.0 had additional problems including a
16 design flaw which resulted in serum over-sucking which frustrated customers (¶¶166-
17 167); (9) despite its inability to develop an adequate fix for Syndeo, the Company
18 continued to send out systems with the exact same defects as those that had been
19 returned (¶91); (10) a customer who had four-to-five Syndeo replacements started a
20 Facebook group that had over 900 members so Syndeo customers could troubleshoot
21 their defective devices (¶¶190-195); and (11) an analyst survey found that an astonishing
22 74% of respondents who had purchased Syndeo 1.0 and 2.0 machines experienced
23 problems (¶271).

24 354. The misrepresented and concealed information was material to
25 BeautyHealth investors. The Syndeo was the next generation of BeautyHealth’s flagship
26 HydraFacial device, and would position the Company to “lead in the beauty health
27 market, by applying technology and data to maximize our customer experience.” ¶71.
28 As such, systemic issues with Syndeo could jeopardize BeautyHealth’s operations and

1 financial well-being, which would concern the Company’s investors and impact their
2 decision to invest in BeautyHealth securities.

3 355. Having spoken directly on the issue of the functionality of Syndeo and
4 consumer demand for the product, Defendants were bound to provide these omitted
5 material facts to investors to avoid misleading them.

6 **VII. ADDITIONAL ALLEGATIONS OF DEFENDANTS’ SCIENTER**

7 356. The following facts, which are set forth above with particularity,
8 collectively give rise to a strong inference that the Individual Defendants knew, or were
9 deliberately reckless in not knowing, that their statements about the functionality of
10 Syndeo were false and misleading or omitted material facts necessary to make them not
11 misleading when made.

12 357. *Defendants were informed at internal meetings, received internal*
13 *contemporaneous communications and reports, and had access to internal data*
14 *contradicting their statements to investors.* Throughout the Class Period, subject
15 matters addressed at the Tiger Team meetings, including the Syndeo plugging flow
16 issue, flowed up to Defendant Woo and other high-level BeautyHealth executives, via
17 a group “Syndeo issues” email detailing the minutes of the Tiger Team meeting and the
18 weekly action-items for the Tiger Team. ¶107. By June 2022, Stanleick was the
19 “executive sponsor” and host of a weekly “Syndeo Powerhouse” meeting where the goal
20 was to “understand issues, set dates and hold people accountable.” ¶113. Woo and
21 Stanleick attended at least one meeting before July 2022 related to the new design tests
22 and approved the new design. ¶123. Defendant Stanleick and Woo were further
23 informed of the Syndeo issues through the Company annual management review
24 process conducted in September/October 2022, including management review report
25 including the number of complaints regarding Syndeo categorized by problem type and
26 attending the management review meeting in which the management report was
27 discussed. ¶¶144-145. After completion of the management review, the management
28 review materials were readily accessible on the “Master Control” system. ¶146. In

1 addition, Defendant Stanleick discussed Syndeo 2.0 issues at quarterly calls. ¶174.
2 Stanleick also attended the mid-year global sales meeting in Dallas, TX during which
3 the that the issue of the Syndeo tube clogging in the manifold was discussed. ¶¶228-
4 230. Woo saw the disorganized state in which BeautyHealth maintained the thousands
5 of returned Syndeos in its facilities, as Woo walked the Long Beach warehouse floor
6 regularly. ¶¶147-151. Further, customer complaints concerning the Syndeo were
7 tracked in BeautyHealth's Salesforce system, which data could be extracted, and
8 Stanleick personally spoke to a customer who started a Facebook group for dissatisfied
9 Syndeo customers. ¶¶100, 196-200. Finally, Defendants claimed they were receiving
10 "learning" "in real time" from BeautyHealth providers which data the Company was
11 collected from customer facing apps. ¶137.

12 358. *Defendants' admissions to their colleagues of their knowledge of*
13 *Syndeo's functionality issues support a strong inference of scienter.* At the same time
14 Defendants were publicly promoting the superior functionality of Syndeo, the
15 Individual Defendants were privately acknowledging the severe cosmetic and plugging
16 functionality issues plaguing Syndeo. When Defendant Woo was informed of the
17 cosmetic issue problem, Woo responded, "Well, we're not going to scrap it and return
18 it — we need to use it." ¶88. Woo said, "If there's a problem, just give them (the
19 customer) a new machine." ¶89. In June 2022, at an executive committee offsite
20 meeting, Stanleick said "our #1 priority is to focus on Syndeo and getting it back on
21 track; there is nothing that is more important for the organization." ¶112. At the August
22 2022 quarterly town hall meetings and future quarterly town meetings, companywide
23 calls and the July 2023 mid-year sales meeting, Defendant Stanleick spoke to employees
24 and "definitely acknowledged that [Syndeo] was a problem." ¶¶115-116, 228-230.

25 359. *Defendants took undisclosed steps that show their knowledge of the*
26 *significant technical challenges to Syndeo.* According to former BeautyHealth
27 employees, at the same time Defendants were promoting the superior functionality of
28 Syndeo, the Company secretly worked for well over a year to resolve systemic

1 functionality issues impacting the Syndeo. From April through June 2022, Defendants
2 worked on a project to redesign Syndeo's manifold and installation of new software in
3 an effort to address chronic plugging issues, which included testing conducted by the
4 operations team. ¶¶119-124. Defendants Woo and Stanleick attended at least one of the
5 many executive meetings prior to July 2022 related to the new design tests and approval
6 for the newly design Syndeo dubbed Syndeo 2.0. ¶123. After Syndeo 2.0 failed to
7 adequately address plugging issues, Defendants commenced a number of initiatives to
8 fix the frequent plugging issues, including retaining outside technician firms to either
9 go onsite at the provider's location or to work at HydraFacial facilities to repair the
10 Syndeo machines. ¶¶126-127.

11 360. ***Defendants hid thousands of malfunctioning Syndeo machines from an***
12 ***auditor in September/October 2022.*** The company concealed a large number of
13 returned Syndeo machines prior to an Fall 2022 audit by BSI, an independent
14 certification body responsible for awarding HydraFacial an ISO certification, an
15 international standard for quality management. Specifically, by fall 2022, HydraFacial's
16 warehouse was overflowing with 2,000 to 3,000 returned Syndeos, many with reported
17 issues. The returned Syndeo units were poorly documented and haphazardly stored,
18 raising concerns about proper record-keeping and potential safety hazards. Just before
19 BSI's arrival, the Company rented an adjacent storage unit and relocating a significant
20 portion of the malfunctioning machines. The purpose of these actions were to shield
21 the machines from BSI's scrutiny, which would have raised questions about the true
22 state of the Syndeo program and its quality control practices. ¶¶147-151.

23 361. ***Defendants had motive to prematurely rush the launch of Syndeo and***
24 ***conceal and/or downplay any defects with the device.*** Defendants launched the Syndeo
25 in March 2022 despite performing limited testing and with knowledge of a screen-
26 glitching issue. ¶¶68-69. Defendants rushed Syndeo to market to combat weakening
27 consumable sales that made up a material amount of the Company's revenues. ¶¶62-67.
28 Once available to customers, Defendants had reason to conceal and/or downplay any

1 issues with Syndeo and repeatedly send out similarly defective replacement machines.
2 That reason was to facilitate the continuing purchase of the Company's consumables, a
3 material source of recurring revenue. ¶¶51, 64, 104.

4 **362. *The Individual Defendants were terminated concurrent with the***
5 ***disclosure of the truth.*** On August 9, 2023, the Company announced the “involuntary
6 separation without cause” of Defendant Woo. ¶241. Concurrently with Woo's
7 termination, the Company disclosed for the first time “Syndeo teething issues” that
8 occurred over the past year, including that some of the first generations Syndeo had
9 some residue build-up and blockage and other ones were simply simple component
10 upgrades. ¶¶242-243, 245-246. The Company disclosed that it had launched a voluntary
11 initiative of replacing certain componentry in previously manufactured Syndeo delivery
12 systems to increase resistance to inadvertent clogging. ¶248. Additionally, Stanleick's
13 commentary regarding the Company's key learnings suggested Woo's termination was
14 tied to the lack of transparency with respect to the Company's operational challenges
15 and its impact on future results. ¶244. Stanleick stated that the Company's internal
16 forecasting processes, which was previously under the leadership of Woo, needed to be
17 enhanced by the new CFO. *Id.*

18 363. Then, on November 13, 2023, the Company announced that Defendant
19 Stanleick would depart the Company and relinquish his Board seat, effective November
20 19, 2023. ¶259. The Company would later disclose that Stanleick's departure was a
21 “termination without cause.”⁴⁷ Concurrent with Stanleick's firing, the Company
22 announced \$63.1 million restructuring charge stemming from its Syndeo program.
23 ¶261. In complete contrast to Stanleick's statements on August 9, 2023 that Company
24 was “equipped to address [Syndeo issues with over-the-air software updates or in-filled
25 support,” the Company revealed that management had declared all 1.0 and 2.0 Syndeo
26 systems as obsolete. ¶¶243, 263. Therefore, the Company will now only sell the newer
27

28 ⁴⁷ See FORM 8-K/A filed with the SEC on December 14, 2023.

1 3.0 system. ¶¶263. The Company will also offer its existing clients with the 1.0 and 2.0
2 machines in the field to be replaced with the newest 3.0 machine or upgraded to 3.0
3 standard with new parts and an extended 1-year warranty at no cost to the provider.
4 ¶263. On that call, interim CEO, Marla Beck suggested Defendant Stanleick’s departure
5 was tied to the undisclosed operation challenges, stating “that many mistakes were made
6 with regard to Syndeo,” and that “[a] a result, we are taking some tough actions.” ¶260.

7 364. ***Defendants’ admissions in revealing the truth that the Company knew of***
8 ***the issues plaguing Syndeo and had been working to address it throughout 2022 and***
9 ***2023 yet failed to disclose such information while continuing to promote the***
10 ***functionality of Syndeo.*** At the November 19, 2023 earnings call, newly appointed CFO
11 Monahan admitted that shortly after Syndeo’s release, customers began experiencing
12 issues like treatment interruptions, loud noises, problems inserting the bottles and “most
13 importantly” frequent clogs and low flow – a far cry from the smooth functionality and
14 successful product rollout Defendants Stanleick and Woo described in their Q1 and Q2
15 2022 public statements. ¶262. Given these problems, throughout 2022 and 2023,
16 Monahan admitted that the Company made improvements and released a Syndeo 2.0
17 version to customers, without acknowledging the earlier version’s flaws or announcing
18 the commercialization of the new Syndeo version. *Id.* Monahan further admitted these
19 undisclosed efforts failed to solve the underlying problems, resulting in continued
20 customer frustration. ¶¶167, 262. Finally, after undisclosed rigorous testing and
21 development, the Company launched Syndeo 3.0 in July 2023. ¶262. This timeline
22 further contributes to the inference that Defendant knew, or were deliberately reckless
23 in not knowing, that their statements about the functionality of Syndeo were false and
24 misleading or omitted material facts necessary to make them not misleading when made.

25 365. ***Many of Defendants’ misrepresentations were made in***
26 ***direct response to analyst questions:*** During the Class Period, analysts’ primary focus
27 concerned the status of the Syndeo rollout and customer response. The obvious
28 importance of those issue helps supports the strong inference that Stanleick and Woo

1 were paying close attention to these issues, and knew or recklessly ignored facts
2 contradicting their statements. Moreover, a significant portion of Defendants’
3 challenged statements were made by Defendants Stanleick and Woo in direct response
4 to analyst inquiries. *See, e.g.*, ¶¶292, 302, 320, 331, 351-352. Defendants were
5 repeatedly asked to provide further color on the Syndeo launch and what they were
6 seeing in the field. In response to the inquiries, Defendants did not simply make
7 statements inconsistent with the truth concerning Syndeo’s functionality and customer
8 response; they told investors that they had “learnings” and “insights” from consumer
9 facing apps, but refused to share the data with analysts. ¶¶ 303, 331, 351-352. Given the
10 specificity and repetition of the analysts questions,” Stanleick’s position as CEO and
11 Woo’s position as CFO and *de facto* COO, the true state of the Syndeo program and
12 customer reaction at the time the questions were asked, there is a strong inference that
13 Defendants’ actions reached the threshold of recklessness, at a minimum.

14 366. ***The Individual Defendants held themselves out as knowledgeable about***
15 ***the functionality of the Syndeo System.*** The Executive Defendants repeatedly held
16 themselves out in their public statements as personally familiar with Syndeo’s
17 development, functionality, rollout and customer experience. Defendant Stanleick
18 claimed to have been “spen[ding] a lot of time in the field with providers and
19 aestheticians” and “[h]aving visited with hundreds of providers and consumers across
20 the US” after the Syndeo launch to learn about their experiences. ¶¶79, 132. Defendant
21 Stanleick he was “laser focused on continuing the successful global rollout of Syndeo.”
22 ¶134. The Executive Defendants made repeated statements to investors about the
23 functionality of Syndeo throughout the Class Period in a multitude of press releases,
24 quarterly and annual reports filed with the SEC and signed by and/or approved by the
25 Executive Defendants, investor presentation and on earnings calls. That Defendants
26 claimed this first-hand knowledge and spoke on these subjects so many times further
27 contributes to a strong inference that the Executive Defendants knew, or were
28

1 deliberately reckless in not knowing, that the statements about the functionality of the
2 Syndeo systems were false and misleading and omitted material information.

3 367. *It is absurd to suggest that Defendants were not aware of the Syndeo*
4 *functionality issues because they affected BeautyHealth’s core operations.* Syndeo
5 represented the newest version and future of HydraFacial, the Company’s flagship
6 delivery system. As Stanleick stated in launching the Syndeo on March 7, 2022,
7 “Innovation is a key strategic pillar of our growth, and as we build the future of
8 BeautyHealth with new products and technologies like Syndeo.”⁴⁸ In June 2022,
9 Stanleick told the Company’s executive committee that “our #1 priority is to focus on
10 Syndeo and getting it back on track” as “there is nothing that is more important for the
11 organization.” ¶112. The importance of Syndeo to BeautyHealth’s business is further
12 demonstrated by Stanleick *personally communicating* with a dissatisfied Syndeo
13 customer who started a Facebook group to address the widespread issues with the
14 device. ¶¶196-200. Thus, the evidence shows the problems that the Syndeo functionality
15 issues presented were so prominent that it is not plausible that Stanleick, Woo and other
16 BeautyHealth senior management did not know about those problems when making
17 false statements about the functionality of Syndeo system.

18 368. *The timing of the disclosed SEC investigation supports a strong inference*
19 *of scienter.* In April 2024, just months after the Company’s November 2023 disclosures
20 of the pervasive Syndeo issues and declared obsolescence of Syndeo 1.0 and Syndeo
21 2.0, the Company announced the receipt of a SEC subpoena in connection with a formal
22 order of investigation. ¶279. Although the subject matter of the investigation has not
23 been disclosed, the timing of the subpoena suggests it relates to Defendants’ conduct
24 concerning the Syndeo and their statements to investors during the Class Period. ¶280.

25
26
27 ⁴⁸ “The Beauty Health Company Introduces New Digitally Connected HydraFacial
28 Syndeo™ Delivery System” (Mar. 7, 2022).

1 The ongoing SEC investigation supports a stronger inference of Defendants' scienter
2 and knowledge of wrongdoing.

3 **VIII. LOSS CAUSATION**

4 369. The artificial inflation created by Defendants' alleged misrepresentations
5 and omissions regarding the functionality of Syndeo was removed from BeautyHealth's
6 share price in direct response to information revealed in disclosures that took place
7 November 13, 2023. As set forth herein, the November 13, 2023 disclosures divulged
8 information that corrected Defendants' prior misrepresentations and omissions of
9 material fact and/or disclosed facts Defendants misrepresented and omitted that were a
10 substantial factor in causing investors' economic loss.

11 370. On November 13, 2023, after the market closed, BeautyHealth announced,
12 among other things, its financial results for the third quarter of 2023. The Company
13 disclosed that "[t]he quarter was overshadowed by lower-than-expected U.S. revenue
14 and \$63.1 million in restructuring charges related to device upgrades of early generation
15 Syndeo devices." As a result, "the Company is revising its fiscal year 2023 net sales
16 guidance to a range of \$385 to \$400 million, its fiscal year adjusted EBITDA margin
17 guidance to a range of 5% to 6% and is suspending its long-term 2025 financial
18 outlook." The Company further disclosed that Defendant Stanleick would depart the
19 Company as President & Chief Executive Officer ("CEO") and relinquish his Board
20 seat, effective November 19, 2023.

21 371. The nature of the disclosures, together with the timing and magnitude of
22 the decline in BeautyHealth's share price negate any inference that Lead Plaintiffs'
23 losses were caused by changed market conditions, macroeconomic or industry factors
24 or Company-specific factors unrelated to Defendants' wrongful conduct.

25 372. Furthermore, the November 13, 2023 disclosures went well beyond prior
26 Syndeo disclosures and revealed new, material information about Syndeo's defects and
27 resulting negative effect on BeautyHealth. Specifically, the November 13, 2023
28 disclosure revealed: (i) BeautyHealth incurred a massive \$63.1 million restructuring

1 charge to replace defective Syndeo devices; (ii) Syndeo 1.0 and 2.0 devices were
2 completely “obsolete”; (iii) the need to replace or upgrade approximately 7,350 Syndeo
3 units; (iv) the withdrawal and suspension of BeautyHealth’s financial guidance and
4 outlook directly due to Syndeo’s failures; and (v) the sudden departure of Stanleick.

5 373. Defendants’ wrongful conduct, as alleged herein, directly and proximately
6 caused the damages suffered by Lead Plaintiffs and other Class Members. Had
7 Defendants disclosed complete, accurate, and truthful information concerning these
8 matters during the Class Period, Lead Plaintiffs and other Class members would not
9 have purchased or otherwise acquired BeautyHealth securities or would not have
10 purchased or otherwise acquired these securities at the artificially inflated prices that
11 they paid. It was also foreseeable to Defendants that misrepresenting and concealing
12 these material facts from the public would artificially inflate the price of BeautyHealth
13 securities and the ultimate disclosure of this information, or the materialization of the
14 risks concealed by Defendants’ material misrepresentations and omissions would cause
15 the price of BeautyHealth securities to decline.

16 **IX. NO SAFE HARBOR**

17 374. The statutory safe harbor or bespeaks caution doctrine applicable to
18 forward-looking statements under certain circumstances does not apply to any of the
19 false and misleading statements pleaded in this Complaint. The statutory safe harbor or
20 bespeaks caution doctrine does not apply to statements included in financial statements
21 prepared in accordance with generally accepted accounting principles. Moreover, none
22 of the statements complained of herein was a forward-looking statement. Rather, they
23 were historical statements or statements of purportedly current facts and conditions at
24 the time the statements were made, including statements about BeautyHealth’s current
25 and historical financial accounting practices, financial condition, and internal controls,
26 among other topics.

27 375. To the extent that any of the false and misleading statements alleged herein
28 can be construed as forward-looking, those statements were not accompanied by

1 meaningful cautionary language identifying important facts that could cause actual
2 results to differ materially from those in the statements. As set forth above in detail,
3 then-existing facts contradicted Defendants' statements regarding BeautyHealth's
4 financial accounting practices, financial condition, and internal controls, among others.
5 Given the then-existing facts contradicting Defendants' statements, any generalized risk
6 disclosures made by BeautyHealth were insufficient to insulate Defendants from
7 liability for their materially false and misleading statements.

8 **X. THE PRESUMPTION OF RELIANCE**

9 376. At all relevant times, the market for BeautyHealth's common stock was
10 efficient for the following reasons, among others:

- 11 (a) BeautyHealth's stock met the requirements for listing, and was listed and
12 actively traded on the NASDAQ, a highly efficient and automated market;
13 (b) As a regulated issuer, BeautyHealth filed periodic reports with the SEC and
14 the NASDAQ;
15 (c) BeautyHealth regularly communicated with public investors via established
16 market communication mechanisms, including through regular dissemination
17 of press releases on the national circuits of major newswire services and
18 through other wide ranging public disclosures, such as communications with
19 the financial press and other similar reporting services; and
20 (d) BeautyHealth was followed by numerous securities analysts employed by
21 major brokerage firms who wrote reports which were distributed to those
22 brokerage firms' sales force and certain customers. Each of these reports was
23 publicly available and entered the public market place.

24 377. As a result of the foregoing, the market for BeautyHealth's common stock
25 reasonably promptly digested current information regarding BeautyHealth from all
26 publicly available sources and reflected such information in the price of BeautyHealth's
27 common stock. All purchasers of BeautyHealth common stock during the Class Period
28

1 suffered similar injury through their purchase of BeautyHealth common stock at
2 artificially inflated prices, and a presumption of reliance applies.

3 378. A class-wide presumption of reliance is also appropriate in this action
4 under the United States Supreme Court holding in *Affiliated Ute Citizens of Utah v.*
5 *United States*, 406 U.S. 128 (1972), because the claims asserted herein against
6 Defendants are predicated upon omissions of material fact for which there is a duty to
7 disclose.

8 **XI. CLASS ALLEGATIONS**

9 379. Lead Plaintiffs bring this action as a class action pursuant to Federal Rule
10 of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and
11 entities that purchased or otherwise acquired BeautyHealth securities between May 10,
12 2022 and November 13, 2023, inclusive, and who were damaged thereby (the “Class”).
13 Excluded from the Class are (i) Defendants; (ii) members of the immediate family of
14 each Individual Defendant; (iii) any person who was an officer or director of
15 BeautyHealth; (iv) any firm or entity in which any Defendant has or had a controlling
16 interest; (v) any person who participated in the wrongdoing alleged; (vi) Defendants’
17 liability insurance carriers; (vii) any affiliates, parents, or subsidiaries of BeautyHealth;
18 (viii) all BeautyHealth plans that are covered by ERISA; and (ix) the legal
19 representatives, agents, affiliates, heirs, beneficiaries, successors-in-interest, or assigns
20 of any excluded person or entity, in their respective capacity as such.

21 380. The members of the Class are so numerous that joinder of all members is
22 impracticable. Throughout the Class Period, BeautyHealth shares were actively traded
23 on Nasdaq. As of November 17, 2023, there were approximately 131.27 million shares
24 of BeautyHealth common stock outstanding. While the exact number of Class members
25 is unknown to Lead Plaintiffs at this time and can only be ascertained through
26 appropriate discovery, Lead Plaintiffs believe that there are at least thousands of
27 members of the Class. Class members who purchased BeautyHealth securities may be
28 identified from records maintained by BeautyHealth or its transfer agent(s) and may be

1 notified of this Class action using a form of notice similar to that customarily used in
2 securities class actions.

3 381. Lead Plaintiffs' claims are typical of Class members' claims, as all
4 members of the Class were similarly affected by Defendants' wrongful conduct in
5 violation of federal laws as complained of herein.

6 382. Lead Plaintiffs will fairly and adequately protect Class members' interests
7 and have retained competent counsel experienced in class actions and securities
8 litigation.

9 383. Common questions of law and fact exist as to all Class members and
10 predominate over any questions solely affecting individual Class members. Among the
11 questions of fact and law common to the Class are whether:

- 12 (a) the federal securities laws were violated by Defendants' acts as
13 alleged herein;
- 14 (b) Defendants' statements to the investing public during the Class
15 Period omitted and/or misrepresented material facts about the
16 business, operations, and prospects of BeautyHealth; and
- 17 (c) Defendants acted with scienter;
- 18 (d) Class members have suffered compensable damages and the proper
19 measure of those damages.

20 384. A class action is superior to all other available methods for the fair and
21 efficient adjudication of this action because joinder of all Class members is
22 impracticable. Additionally, the damage suffered by some individual Class members
23 may be relatively small so that the burden and expense of individual litigation make it
24 impossible for such members to individually redress the wrong done to them. There will
25 be no difficulty in the management of this action as a class action.

**XII. CLAIMS BROUGHT PURSUANT TO SECTIONS 10(B)
AND 20(A) OF THE EXCHANGE ACT**

COUNT I

**FOR VIOLATIONS OF SECTION 10(B) OF THE EXCHANGE ACT
AND SEC RULE 10B-5 PROMULGATED THEREUNDER
(Against All Defendants)**

385. Lead Plaintiffs repeat and re-allege each and every allegation contained above as if fully set forth herein.

386. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Lead Plaintiffs and other Class members, as alleged herein; and (ii) cause Lead Plaintiffs and other members of the Class to purchase BeautyHealth's securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

387. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for BeautyHealth's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the wrongful and illegal conduct charged herein or as controlling persons as alleged below.

388. Defendants, individually and in concert, directly and indirectly, by the use, means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about BeautyHealth's financial well-being and prospects, as specified herein.

389. Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices,

1 and a course of conduct as alleged herein in an effort to assure investors of
2 BeautyHealth's value and performance and continued substantial growth, which
3 included the making of, or the participation in the making of, untrue statements of
4 material facts and/or omitting to state material facts necessary in order to make the
5 statements made about BeautyHealth and its business operations and future prospects
6 in light of the circumstances under which they were made, not misleading, as set forth
7 more particularly herein, and engaged in transactions, practices and a course of business
8 which operated as a fraud and deceit upon the purchasers of the Company's securities
9 during the Class Period.

10 390. Each of the Individual Defendants' primary liability and controlling
11 person liability arises from the following facts: (i) the Individual Defendants were high-
12 level executives and/or directors at the Company during the Class Period and members
13 of the Company's management team or had control thereof; (ii) each of these
14 defendants, by virtue of their responsibilities and activities as a senior officer and/or
15 director of the Company, was privy to and participated in the creation, development
16 and reporting of the Company's internal budgets, plans, projections and/or reports;
17 (iii) each of these defendants enjoyed significant personal contact and familiarity with
18 the other defendants and was advised of, and had access to, other members of the
19 Company's management team, internal reports and other data and information about the
20 Company's finances, operations, and sales at all relevant times; and (iv) each of these
21 defendants was aware of the Company's dissemination of information to the investing
22 public which they knew and/or recklessly disregarded was materially false and
23 misleading.

24 391. Defendants had actual knowledge of the misrepresentations and/or
25 omissions of material facts set forth herein, or acted with reckless disregard for the truth
26 in that they failed to ascertain and to disclose such facts, even though such facts were
27 available to them. Such defendants' material misrepresentations and/or omissions were
28 done knowingly or recklessly and for the purpose and effect of concealing

1 BeautyHealth's financial well-being and prospects from the investing public and
2 supporting the artificially inflated price of its securities. As demonstrated by
3 Defendants' overstatements and/or misstatements of the Company's business,
4 operations, financial well-being, and prospects throughout the Class Period, Defendants,
5 if they did not have actual knowledge of the misrepresentations and/or omissions
6 alleged, were reckless in failing to obtain such knowledge by deliberately refraining
7 from taking those steps necessary to discover whether those statements were false or
8 misleading.

9 392. As a result of the dissemination of the materially false and/or misleading
10 information and/or failure to disclose material facts, as set forth above, the market price
11 of BeautyHealth's securities was artificially inflated during the Class Period. In
12 ignorance of the fact that market prices of the Company's securities were artificially
13 inflated, and relying directly or indirectly on the false and misleading statements made
14 by Defendants, or upon the integrity of the market in which the securities trades, and/or
15 in the absence of material adverse information that was known to or recklessly
16 disregarded by Defendants, but not disclosed in public statements by Defendants during
17 the Class Period, Lead Plaintiffs and the other members of the Class acquired
18 BeautyHealth's securities during the Class Period at artificially high prices and were
19 damaged thereby.

20 393. At the time of said misrepresentations and/or omissions, Lead Plaintiffs
21 and other members of the Class were ignorant of their falsity, and believed them to be
22 true. Had Lead Plaintiffs and the other members of the Class and the marketplace known
23 the truth regarding the problems that BeautyHealth was experiencing, which were not
24 disclosed by Defendants, Lead Plaintiffs and other members of the Class would not have
25 purchased or otherwise acquired their BeautyHealth securities, or, if they had
26 acquired such securities during the Class Period, they would not have done so at the
27 artificially inflated prices which they paid.

394. By virtue of the foregoing, Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

395. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiffs and the other members of the Class suffered damages in connection with their respective purchases and sales of the Company's securities during the Class Period.

COUNT II

**FOR VIOLATIONS OF SECTION 20(A) OF THE EXCHANGE ACT
(Against the Individual Defendants)**

396. Lead Plaintiffs repeat and re-allege each and every allegation contained above as if fully set forth herein.

397. Individual Defendants acted as controlling persons of BeautyHealth within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions and their ownership and contractual rights, participation in, and/or awareness of the Company's operations and intimate knowledge of the false financial statements filed by the Company with the SEC and disseminated to the investing public, Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Lead Plaintiffs contend are false and misleading. Individual Defendants were provided with or had unlimited access to copies of the Company's reports, press releases, public filings, and other statements alleged by Lead Plaintiffs to be misleading prior to and/or shortly after these statements were issued and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

398. In particular, Individual Defendants had direct and supervisory involvement in the day-to-day operations of the Company and, therefore, had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

399. As set forth above, BeautyHealth and Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their position as controlling persons, Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiffs and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

PRAAYER FOR RELIEF

WHEREFORE, Lead Plaintiffs pray for relief and judgment, as follows:

A. Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

B. Awarding compensatory damages in favor of Lead Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

C. Awarding Lead Plaintiffs and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

D. Such other and further relief as the Court may deem just and proper.

JURY DEMAND

Lead Plaintiffs hereby demand a trial by jury.

1 Dated: May 5, 2025

Respectfully submitted,

2 HAGENS BERMAN SOBOL SHAPIRO LLP

3
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